DOMINION OF CANADA

OFFICIAL REPORT

OF

DEBATES
HOUSE OF COMMONS

FIRST SESSION—NINETEENTH PARLIAMENT

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OTTAWA
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1940

CANADA

House of Commons Debates

OFFICIAL REPORT

Monday, June 24, 1940

The house met at three o'clock.

HOUSE OF COMMONS

RECOMMENDATION RESPECTING LONG-TERM TEMPORARY EMPLOYEES

Mr. SPEAKER: I have the honour to lay on the table of the house a recommendation from the civil service commission regarding the permanency of three long-term temporary employees of the House of Commons—Miss L. A. Kearns, Miss I. A. Boyce and Mr. L. C. Hill.

PRIVATE BILLS

FIRST READING—SENATE BILL

Bill No. 50, respecting a certain wharf of Saguenay Terminals Limited—Mr. Dubuc.

QUEBEC AND MONTMORENCY RAILWAY COMPANY

Mr. D. C. ABBOTT (St. Antoine-Westmount) moved the first reading of Bill No. 51, respecting the incorporation of the Quebec and Montmorency Railway Company.

Mr. HANSON (York-Sunbury): Explain.

Mr. ABBOTT: This is a bill to incorporate a company known as the Quebec and Montmorency Railway company, to acquire the railway property operated by the Quebec Railway Light, Heat & Power company. For some years the latter company has operated a tramway system in the city of Quebec, and a railway line from the city of Quebec to cap Tourmente, a distance of about thirty miles along the north shore of the St. Lawrence river. The operation of the tramways division differs from that of the railway division, and it is desired to segregate the two properties.

As explained in the explanatory note to the bill, the terms and conditions of any acquisition by the Quebec and Montmorency Railway company will be subject to the approval of the board of transport commissioners and the governor in council, in the manner provided by the Railway Act.

Motion agreed to and bill read the first time.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

PRODUCTION AND EXPORTS OF CANNED VEGETABLES

Mr. LACOMBE:

1. What was the value of vegetables canned during each of the years 1937, 1938, and 1939?
2. What was the value of such products exported during the same years (a) to the United States, (b) to the United Kingdom?

Mr. MacKINNON (Edmonton West):

1. Consumption of vegetables in the fruit and vegetable preparations industry, 1937 and 1938.

	1938		1937	
	Quantity	Cost Value	Quantity	Cost Value
Fresh vegetables—	Pounds	$	Pounds	$
Asparagus, Canadian	1,896,408	150,277	2,810,388	265,834
Asparagus, imported	145,354	13,060	171,299	15,150
Beans, green or wax, Canadian	11,964,343	252,259	11,766,748	246,893
Beets, Canadian	1,841,357	19,195	1,706,622	23,055
Carrots, Canadian	4,920,281	43,246	4,802,608	49,815
Corn, Canadian	102,650,832	501,133	113,684,448	561,562
Peas, green, Canadian	78,318,163	1,033,608	36,681,156	837,426
Pumpkin, Canadian	4,834,087	13,049	7,950,635	21,416
*Spinach, Canadian and imported	3,160,508	35,263	3,069,553	40,313
*Tomatoes, Canadian and imported	422,455,670	2,202,534	487,173,177	2,803,523
Other fresh vegetables, Canadian	21,040,303	310,878	21,767,077	391,704
Other fresh vegetables, imported	145,825	3,643		

*Only small quantity of "imported" reported by less than 3 firms.

1. Consumption of vegetables in the fruit and vegetable preparations industry, 1937 and 1938 —*Concluded*

	1938		1937	
Other vegetables—	Quantity Pounds	Cost Value $	Quantity Pounds	Cost Value $
Dried vegetables, such as beans, peas, etc., Canadian	16,157,097	372,105	16,354,112	594,765
Dried vegetables, such as beans, peas, etc., imported	873,150	33,234	1,374,372	61,178
Vegetables in brine, Canadian	831,812	18,806	1,327,678	35,464
Vegetables in brine, imported	958,729	57,185	657,424	36,727
Tomato pulp and puree	9,671,437	274,943	8,717,028	239,352

Note: Figures for 1939 are not yet available.

2. Exports of canned vegetables to United Kingdom and United States during the calendar years 1937, 1938, and 1939.

Country	1937	1938	1939
United Kingdom	$2,246,756	$2,618,607	$3,595,984
United States	204	19,099	122,754

MOTIONS FOR PAPERS

BIRCH HILL, SASK., POSTMASTERSHIP

Mr. DIEFENBAKER:

For a copy of all correspondence, telegrams, petitions, complaints and other documents in the possession of the Post Office Department relative to Mabel Mitchell, former postmistress at Birch Hill, Saskatchewan, dated within two years of her registration and appointment of her successor.

RECRUITING IN QUEBEC

Mr. ROY:

For a copy of all correspondence, letters, telegrams, memoranda and other documents exchanged between the premier of the province of Quebec, or other provincial ministers, and the Prime Minister of Canada or other federal ministers or officials of the Department of National Defence or any other federal department, relative to the request of the premier of Quebec that no recruiting of volunteers be made from among the sons of farmers in the province of Quebec.

JOHN INGLIS COMPANY—DISMISSAL OF WALTER CAMM

Mr. GILLIS:

For a copy of all correspondence, letters, telegrams, memoranda and other documents exchanged between the Department of Labour and any other person or organization, between January 1, 1940, and the present time, relating to the dismissal of Walter Camm, on the matter of labour organization in the John Inglis Company plant of Toronto.

[Mr. J. A. MacKinnon.]

WAINWRIGHT NATIONAL PARK

INQUIRY AS TO DESTRUCTION OF BUFFALO, ELK, MOOSE AND DEER

On the orders of the day:

Hon. GEORGE BLACK (Yukon): A report appears in the Ottawa *Journal* of this morning to the effect that the government has had destroyed 3,000 buffalo, more than 1,000 elk, 500 moose and 500 deer which had been in Wainwright national park. Is that report correct? If so, why were the elk, moose and deer not released to form an addition to the wild life of Canada?

Hon. T. A. CRERAR (Minister of Mines and Resources): The report is correct. The buffalo, elk, moose and deer which were in Wainwright national park were destroyed some months ago. I did not get the last part of my hon. friend's question.

Mr. BLACK (Yukon): I asked why the elk, moose and deer had not been released. I can quite understand why the buffalo or bison should be destroyed, but the moose and deer are natural to Canadian wild life and I should like to know why they were not released.

Mr. CRERAR: An opportunity was given to various public bodies possessing parks or other facilities to secure any of these animals they might wish before the destruction took place. The destruction of the animals in Wainwright national park was made necessary by the fact that they were badly infected

with tuberculosis. There are several other parks in which we have buffalo, elk, and other animals. For instance, in Riding Mountain park there is probably the largest herd of elk on the North American continent. It was not thought desirable or necessary to turn these animals loose, because they would have had to be transported to some place where they could find a living. At any rate, this action was not taken.

MOUNTED POLICE

REPORTED CLOSING OF OFFICE AT PUGWASH, NOVA SCOTIA

On the orders of the day:

Mr. P. C. BLACK (Cumberland): I should like to ask the Minister of Justice (Mr. Lapointe) if the Royal Canadian Mounted Police office at Pugwash is being closed. If so, is this being done on the instructions or with the permission of the government? The people of this country were reassured recently that this force would be increased, not diminished. It might be noted that Pugwash is a large shipping point.

Right Hon. ERNEST LAPOINTE (Minister of Justice): I have asked for a report about this matter and I shall be pleased to give my hon. friend an answer to-morrow.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. J. L. RALSTON (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, I rise to my allotted task to-day with a sense of heavy responsibility. This budget is being delivered at the most critical hour in history. The Hun is hammering at the gate. Backed by almost incredible weight of mechanized power, he has operated with cold-blooded ruthlessness. He has violated every principle of the law of nations. He has overrun one after another of the democratic countries of Europe. He has brought our gallant ally France to her knees. At this very moment the enemy of mankind stands with naked sword at the threshold of Britain herself.

For the first time in a thousand years the world has been made to realize that a new "Dark Ages" may not be the figment of a wild imagination. The incredible has indeed happened. Europe, the fine flower of western culture, is threatened with the blight of barbarism. All the things we hold dear—the democratic way of life, the Christian ideal, these age-old tenets of human relationships, fair dealing, justice, and brotherhood are threatened with destruction by those who would shut the gates of mercy on mankind.

We know now only too well that we are paying the price of long years of wishful thinking. There is no doubt that all of us in the democratic countries, governments and peoples alike, have been blinded to the stark potentialities of force and evil. Fortunately, at last, I believe, our eyes are opened and we see clearly. And if we do, it is not too late. For no one and no event can shake my conviction that in the long run truth must triumph over falsehood, good over evil, justice over might.

Obviously, the message which I must bring to-day cannot be a pleasant one. I come to you to collect part of the price to which I have referred. Nor can I be dogmatic or definitive in the proposals I make. We live from day to day—indeed, from hour to hour—and our plans must be subject to change in the light of new circumstances.

In dealing with specific measures, we have had to take into account a multitude of unusual facts and factors. Again, in determining the magnitude of the aggregate burden to be imposed upon the Canadian people, we have had to weigh many conflicting influences and to form a judgment as to how far we could go at the present time without setting up adverse factors which would tend to defeat some of the very objectives we are trying to reach. There will, I am sure, be those who will think that I have not gone far enough and probably those who will contend that I have gone too far. Still others will differ with me on details of specific measures. All that I can say is that I have spared no pains to ascertain the relevant facts, to weigh the merits of various measures and proposals, and to reach conclusions in the light of the supreme emergency which faces us to-day.

I

ECONOMIC AND FINANCIAL REVIEW

Before coming to my budget forecast for the current fiscal year and the tax changes I recommend, you will expect me to review the economic and financial events and policies of the first nine months of war. To make it as concise as possible I shall limit myself to a discussion of factors which give the setting for, and determine the principles underlying, the measures which the government has to propose.

In the first war budget of last September, my colleague, the Minister of National Revenue, who delivered the budget speech, laid down the broad principle of the government's policy of war finance. "We believe it is the part of wisdom," he said, "to follow as far as may be practicable a pay-as-you-go policy." Events which have happened since, and particularly those of the last few weeks, have not detracted from the wisdom of that policy, but rather have reinforced the need for a vigorous effort to apply it in every possible way.

The general policy was elaborated further as consisting of two parts: that appropriate to an initial period of quietness and hesitation, and that suitable for a second period in which rising business activity and expanding income had acquired momentum.

In the initial period of the war in which business was expected to be hesitant, if not actually depressed, the appropriate financial policy was declared to be one which would facilitate the expansion of national income and the drawing into employment of our full man-power. In order to ensure that out of rising incomes increased revenues would begin to flow to the government for the financing of the war, certain excise taxes, chiefly on luxuries, were levied, and moderate increases were imposed in the personal and the corporation income taxes. The increases in income tax were payable only after the close of the fiscal year and therefore would have a relatively slight effect in curtailing purchases by consumers. Furthermore, in order that uncertainty might be removed and that business firms might begin to adjust themselves to the war conditions, the outlines of a new and heavy excess profits tax were announced.

These new or increased taxes were not designed to provide immediately for any large part of our heavily increased expenditures. It was also specifically indicated that our initial borrowing operations to provide part of the funds to cover the inevitable deficit in this early period would probably be of a very short-term character, so as to promote the immediate expansion of productive activity. In harmony with this same point of view, it was emphasized that while the magnitude of the new burdens thrust upon us would make it imperative to do everything possible to conserve our resources and to economize on any expenditures not urgently needed in the national interest, nevertheless it would be "penny wise, pound foolish" to curtail expenditures so suddenly and so drastically as to aggravate seriously the unemployment problem before the stimulating effects of our war expenditures and of foreign purchases in our markets had acquired real momentum.

The initial period of quietness and hesitation, it was felt, would be of relatively short duration and would be followed by the second period during which increasing business activity, expanding production and rising national income had acquired momentum. While perhaps starting slowly, this advance would accelerate under the pressure of war orders from ourselves and our allies until gradually our economy would approach a state of full employment of its labour, capital equipment and material resources. As this second stage developed, certain modifications of financial policy would be called for. Thus it was stated that as business activities increased and idle workers were reemployed, the resulting larger incomes would necessarily become subject to heavier taxation for the purpose of ensuring that the increase in our national income was largely diverted to war needs instead of being disbursed in increased personal consumption and private investment. For the same reason, borrowings from the savings of our citizens and genuine economies in normal governmental services not urgently needed in war time, were indicated as appropriate for this second period.

In accordance with the declared policies, the government made its first financing in the form of a short-term banking operation which was definitely expansionist in character. This was a loan of $200 million arranged with the banks in November, 1939, on the security of two-year notes at a rate of two per cent. It will be recalled that of this amount $92 million was used to repatriate Canadian securities held in London. This gave the United Kingdom a substantial supply of Canadian dollars which was used to purchase Canadian foodstuffs, raw materials and war supplies.

This borrowing from the chartered banks was facilitated by appropriate monetary policy. Between August and November, the Bank of Canada's assets increased by approximately $107 million as a result of the purchase of securities and the increase in the value of its gold and foreign exchange reserves. This provided cash to meet the enlarged public demand for notes in circulation and to increase the cash reserves of the chartered banks by $33 million.

With this increase in cash reserves, the chartered banks were enabled to increase their total Canadian deposits by approximately $306 million. In the same period, they increased their current loans by approximately $147 million, mainly to finance the large wheat crop, and added to their net holdings of securities by $158 million.

Thus, financial and monetary policy accorded with the declared intention to facilitate in the initial period an increase in business activity and an expansion of national income.

By the middle of January it became apparent that business had acquired sufficient momentum to justify going to the public for a loan out of savings. We therefore offered our first war loan in the form of 3¼ per cent twelve-year bonds callable by lot during the last five years. Very careful preparation had been made for the campaign and the success of the loan was even greater than we had expected. Of the total subscriptions of $375 million we allotted $200 million to cash subscribers, and $50 million to subscribers who desired to convert their holdings of one of our issues which was to mature on March 1st. It was particularly noteworthy that there were over 178 thousand individual cash subscriptions to this loan and that out of that number more than 121 thousand were for amounts of $500 and less. This result was made possible by the nation-wide cooperation of institutions and individuals and, above all, by the united and enthusiastic support of the Canadian people as a whole.

Even this January borrowing was to a considerable extent expansionist in character in that it converted into government expenditures a considerable amount of idle bank savings. However, the number of small subscriptions and of arrangements made by employees of industrial firms for the purchase of bonds by instalments is convincing evidence that a surprising portion of the subscriptions represented new savings out of increasing incomes.

Passing over one or two financial operations of smaller magnitude for refunding purposes, I come to a further major step in our borrowing operations, namely, the inauguration of our war savings certificates programme on May 27th. These certificates are issued in small denominations for the purpose of facilitating regular savings and contributions to Canada's war effort by persons of moderate and small means. Supplemented as they are by war savings stamps in the denomination of 25 cents they enable all of our people to take some part in Canada's war work while at the same time acquiring the habit of thrift and building up a "nest egg" for the contingencies that may lie ahead. Unlike our periodic war loan campaigns, the sale of these certificates and stamps involves a steady effort which will produce a continual stream of funds, even more important in its influence that the actual amount of money itself. The campaign has involved a vast amount of preparatory and organizing work, and I express now our sincere appreciation of the unstinting help and support being given by patriotic citizens, organizations and business firms throughout the country. You will be interested to know that not a cent of commission is being paid to the postmasters, banks, financial institutions and commercial organizations which are selling these obligations, and the citizens who are organizing and sustaining this project both at headquarters in Ottawa and throughout the dominion are giving their services voluntarily.

Turning now to general business conditions, there is one respect in which the business forecast made by the Minister of National Revenue last September has proved to have been unduly conservative. The fact that the results were better than he forecast was, I really think, due, at least in considerable measure, to the effectiveness of the policies which were promptly adopted. The stagnation in business which he contemplated as probable during the first few months of war was not in fact realized. It is true that for the first few weeks financial and commodity markets were upset by the shock of war and business itself was retarded by uncertainty and the disruption of certain established channels of trade. But the financial policies outlined in the September budget and the institution of foreign exchange control on September 16th restored confidence to financial markets and prevented the dumping of securities and the export of capital which might otherwise have produced serious disorganization. The prompt establishment of other controls through various war agencies, such as the Wartime Prices and Trade Board, the War Supply Board and the Agricultural Supplies Board, also made its contribution to the restoration of confidence and the rapid adjustment of trade and industry to the new war-time conditions.

There were various economic factors which also worked to improve conditions. The large wheat crop of last year, for which the initial price guaranteed by the government was realized by the producers immediately upon delivery, gave a very important stimulus to business generally. Almost equally important was the phenomenal rise during the first four months of war of Canadian exports to the United States. Our neighbour to the south experienced an intense forward-buying boom and in that we shared through greatly increased exports. Initial war orders were important in contributing to the early expansion of the textile, boot and shoe, and iron and steel industries particularly.

At the turn of the year, however, business activity in the United States receded very sharply. Seldom has there been in that country

in so short a space of time so sharp a contraction in production. Under ordinary circumstances, Canadian trade and industry would have shown a similar, if less intense, recession. But as a matter of fact, while the rapid increase in Canadian business activity was slowed down somewhat, the cumulative increase in war orders and the recovery in Canadian exports to Britain, which had been abnormally low in October and November, largely offset the influence of the United States recession. Business activity in Canada flattened out in February and March but generally did not recede. In recent weeks the tempo of United States business has increased sharply and there are already indications that Canadian exports to that country are responding to a more active market. The stimulus to our business which has resulted from these exports is supplementing and reinforcing the expansion due to the acceleration of war expenditures here.

The record of the flow of business which I have outlined is clearly visible in the index of the physical volume of business in Canada. That index stood at 125 in August last, had increased to 139 in January, and stood at 137 in March-April. The increase over the same period in industrial production taken by itself was even more pronounced. A definite increase in consumers' incomes was shown in the rise of retail sales which by December had reached the highest figure since 1930, and, if allowance were made for to-day's lower price level as compared with 1930, retail sales last December would probably be found to have been the highest on record.

These retail sales have continued to be considerably higher than last year. Each month since last September, sales of automobiles have been greatly ahead of the corresponding month of the previous year. For the first four months of war, there was a marked hesitation in construction activity but since January construction has increased and through April and May the value of contracts let was 76 per cent above the value for the same two months of 1939.

According to the preliminary estimate of the Dominion Bureau of Statistics, over one hundred thousand idle wage earners had been drawn into employment during the twelve months to April, 1940. The fall in the number of employable persons on urban relief rolls has lagged behind this increase in employment, but since last November the numbers on urban relief rolls have been lower than those for the corresponding months of the previous year and on the whole the reduction has been accelerating. We have no comprehensive statistics which would indicate changes in the amount of the incomes of wage and salary earners. There are however, abundant indications that as a result of elimination of short time, earnings for overtime work, an increase in the number of earners per family and increases in wage rates, total wage and salary earnings are rising rapidly.

These are days when no one can predict what the future will disclose. However, if there is no serious interruption in our export trade, the increasingly great numbers of men and amounts of materials being employed in war production will lead to a substantial increase in our national income, that is to say, the aggregate of the incomes of all the people of this country. The heightened tempo of business in the United States will also make an important contribution to the same end.

On the basis calculated by the royal commission on dominion-provincial relations our national income for the calendar year 1939 was in the vicinity of $3,800 million. Using the same method of computation we consider that our national income for the fiscal year 1940-41 will not likely be less than $4,500 million. We must see to it that by far the greater part of that increase is used for war purposes.

I need hardly say that our war effort is not in any sense to be limited by such financial calculations or by what we can comfortably accomplish. We must make the maximum effort of which this country is capable. Financial provision can be made and will be made for whatever it is physically possible for us to produce or to procure in the way of war services, supplies and materials. The limits of our effort are not fiscal; if there are any such limits they are physical, mental and moral—by that I mean the physical limits of our resources and the mental and moral capacity of Canadians to bear burdens and make sacrifices.

However, in obtaining whatever it is possible for our man-power, equipment and resources to produce or procure, it is certainly wise to adopt the most intelligent means of financing that effort. Plans already laid and approved by this house call for defence expenditures of $700 million. As I shall later explain, such a figure can only be provisional and not in any sense a limit. What concerns us this afternoon is to choose and determine what seem the wisest financial methods of paying for the maximum effort which is physically possible.

If an appropriate financial policy is not followed the ultimate result will inevitably be that the government will be frustrated in its attempt to procure goods for war purposes by the competition of consumers who seek to spend their increased buying power to satisfy civilian wants. In that event, also,

the familiar spiral of rising prices, then rising wages and costs, and then prices rising still further would begin to work. Prices would rise more rapidly than wages and salaries, and, by this indirect, hidden and most inequitable process, the civilian population and particularly the wage and salary earners and the receivers of fixed incomes, would be forced to curtail their consumption not only of luxuries but of comforts and necessaries as well. Eventually in such a process our entire economic life would be disorganized; a hectic period characterized by feverish speculation, waste and extravagance would develop; and a collapse of the inflationary structure would be as inevitable as it was at the close of the last war.

The government's financial and economic policies have been so designed as to try to safeguard against that type of situation. They have been evolved with the aim to avoid unjustified price increases or speculative excesses, to keep our economy functioning as effectually as possible and to secure the necessary diversions of man-power, equipment and materials to war purposes in a way which would be the least dangerous to the economy and the most equitable as between different individuals and groups.

We recognize clearly that we still have unemployed man-power and resources, that mobilizing them into productive work will expand the national income, and that by expansion of the national income we can add enormously to the magnitude of our war effort. Consequently our policies have been and are being directed to the end of producing soundly the maximum possible increase in our national income in the shortest possible time.

I have already told you of the part played by our financial policy thus far. My colleague, the Minister of Munitions and Supply (Mr. Howe), has already given you some indication of the steps which he has taken to organize the industrial resources of this country, to meet the expanding war demands of ourselves and our allies. In this connection the measures which he is taking are expanding daily.

In the relief estimates which have been tabled there is provision for the rehabilitation of unemployed workers and the technical training of young men and women.

There is every likelihood in my opinion that the expenditure of $700 million, and more, for war purposes plus the very large amounts which the United Kingdom is spending in this country will bring us before very long to the point when everyone able and willing to work and not needed for military service will find an opportunity for productive employment.

Already we can see evidence that shortages have appeared in certain types of skilled labour. To overcome this obstacle we must have the cooperation of Canadian employers in providing the necessary apprenticeship and other training, and of our labour organizations in facilitating the necessary entrance of young men into their trades. We must not allow bottlenecks to develop and retard our armament programme in this supreme emergency. Plans are under way to meet such possible dangers, and the government is confident that it can count upon the hearty cooperation of both employers and employees in thus promoting the maximum efficiency of our war effort. Maximum efficiency, maximum production, maximum speed, must be the supreme objective of all of us to-day.

I have only touched upon some of the measures that have been taken to increase the national income. To the extent that we can increase the national income, we can increase our war power without crippling sacrifice in our standard of living. Some reduction in personal consumption there must necessarily be, and it can easily be made by those of us who are above the minimum standard of living.

To sum up: In the measures which I shall propose we are endeavouring to ensure that at least a very large proportion of the increase in national income shall be diverted to war purposes while, at the same time, leaving sufficient stimulus to bring the country as rapidly as possible to the maximum use of its labour, its plant and its resources. In this connection it will be seen that many of our tax proposals will not require immediate payment and that much of the planned-for increase in revenue will not be called for during the present fiscal year.

One feature of our economic activity since the outbreak of war, which is of special concern and deserves special mention here, is the great increase in our imports. Most of these increased imports have had to come from countries outside the British empire, mainly because Britain herself, pressed by her own needs, has been unable to supply them.

In normal times we are able to use any excess receipts from our trade with one country to meet any deficits in our trade with another. At this time, however, when Britain has such vital need of gold and United States dollars to purchase planes and other war equipment, we cannot expect her to settle all her trade balance with us in gold or foreign exchange. Consequently, while there has been, since the war began, a substantial increase in our favourable balance of trade with

the United Kingdom, a very large proportion of the surplus sterling exchange which we obtain and which formerly we were able to convert into United States dollars in order to meet any adverse balance of payments with that country can no longer be so converted.

Since the United Kingdom could not supply us with goods to pay for all her purchases here, and since, as I have just explained, the sterling with which she was able to pay for these purchases could not be converted into dollars in the normal way, other measures were necessary. The Canadian government undertook to buy and use this sterling in buying Canadian securities from Britain and thus to provide our exporters with Canadian dollars in payment of their exports. While such purchases of Canadian securities held in London will strengthen our long-run financial position on international account, nevertheless two immediate problems face us. In the first place, our domestic market must absorb new securities to a corresponding amount. In the second place, the fact that the surplus sterling arising from our trade with Britain cannot be converted into United States dollars and must be used up by repatriation of securities means that our increased sales to Britain do not help us, as they would in normal times, to pay for the heavy imports of which I have spoken from non-empire countries. The result is that we must find from some other source the United States dollars needed to pay for the greater part of our imports from that country.

To illustrate this exchange problem, let me give in a little more detail the trend of our war-time import and export trade. Comparing the eight months of war ending April, 1940 with the corresponding eight months ending April 1939, Canadian imports from non-Empire countries increased by $171 million, while our exports for the same period to non-Empire countries increased by only $86 million. In other words, an adverse merchandise balance of only $18 million in the 1938-39 period had increased to an adverse balance of $102 million in the 1939-40 period. These figures cover only merchandise trade. There are, of course, other important items which increase our net credits in our accounts with non-empire countries, namely, the export of gold, the expenditures of tourists in Canada, and the curtailment, due to the prompt establishment and efficient operation of the Foreign Exchange Control Board, of the export of capital from Canada. There has also been a small but encouraging inflow of capital from the United States. Nevertheless, it is obvious from an examination of these trade figures that rising business activity and expanding consumer expenditures in conjunction with failure of empire sources of supply have led to a very great increase in our adverse balance with non-empire countries.

More recently, and despite the utmost care in selecting as far as possible Canadian sources of supply, the government's war orders have contributed directly and indirectly to this increase in imports from hard currency countries. It is apparent that already there has developed, between consumers and private business on the one hand, and the government and firms supplying government orders on the other, an active competition for foreign exchange with which to purchase imports. The problem of policy thus posed is not one of maintaining an exchange rate. The powers of the Foreign Exchange Control Board are quite adequate to do that. The problem is to ensure that, in handling the supply of foreign exchange which may be, from time to time, available, war requirements shall take priority over other requirements, and that to some degree also the requirements of industries which are exporting goods and therefore assisting us to acquire foreign exchange, shall take priority over the requirements of domestic trade. I have dealt with this aspect of our exchange position at some length because it furnishes the background for some of the proposals which we intend to make.

But before I leave this subject of foreign exchange I should say just a word regarding our system of foreign exchange control. Within a week of our declaration of war, the Foreign Exchange Control Board was established and given the necessary powers subject to the direction of the Minister of Finance, to regulate all foreign exchange transactions between residents of Canada and the outside world. Detailed plans for the establishment and operation of such a board has been prepared in advance, in case it should be needed, and, once the need was apparent, the Board swung into effective action very quickly. The Board immediately took over as its initial resources the exchange fund which was created under the Exchange Fund Act of 1935. Subsequently on April 30th an order was made requiring all Canadian residents to sell their holdings of foreign exchange to the Foreign Exchange Control Board before the first of June. Those who in complying with the order could demonstrate a need for foreign balances in order to carry on their normal business transactions, such as commercial and insurance companies doing business abroad, have been permitted by the board to retain such amounts as are considered necessary for this purpose. The private holdings of foreign exchange so transferred to the board were of

course purchased at the official rates in Canadian dollars. At the same time as these private balances were purchased, the government, by appropriate orders and transactions arranged to have the holdings of the board further increased by the transfer to the board by the Bank of Canada of the bank's gold reserves, also its reserves of foreign exchange over and above its short-term requirements and necessary working balances. The reason for all these transactions was the advisability of having all our liquid foreign resources centralized with, and managed by, the agency at present charged with the management of our foreign exchange transactions. Without going into details I can say that the main policy which has been followed by the board has been to restrict movements of capital out of Canada to the minimum while at the same time interfering as little as possible with import and export trade, the tourist trade, the payment of interest and dividends and the flow of normal, current business transactions. In carrying out its work, the board has received general and wholehearted cooperation from the people and business organizations of this country and, I may add, from the business organizations of the United States.

II

GOVERNMENT ACCOUNTS, 1939-40

I turn now, Mr. Speaker, to the government accounts for the fiscal year which closed on March 31. Following the procedure which was initiated last year by my predecessor, Mr. Dunning, I do not propose to weary the house with any extensive recital of the details of our revenues and expenditures, our direct and indirect liabilities, our active investments and our financing operations during the past year. All of these details I shall, when I conclude, table in the form of a white paper, in order that the house and the country may have a comprehensive record of our financial transactions during the year. As was the case last year, the white paper will be published as an appendix to the budget speech and therefore will be readily accessible. This procedure enables me to confine my remarks to summarized results rather than to burdensome details.

At the time of the September, 1939, budget, it was estimated that the total revenues for the fiscal year 1939-40 would be $516 million, including $21 million to be derived from new and increased taxes. Because business expanded more rapidly than was anticipated, the yield of both our old and new taxes has exceeded our expectations. It is now estimated that when our books for the year are closed, our total revenue will amount to $562 million. (This includes, it is true, a bookkeeping item of $20 million of credits to non-active accounts for which offsetting or contra items appear on the expenditure side of the statement.) The figure which I have given for total revenues represents an increase of nearly $47 million over the previous all-time record revenue which was received during the fiscal year 1937-38.

Dealing particularly with revenue from taxes, let me say that of the September, 1939, tax increases, only the luxury taxes were effective in the past fiscal year. Actual collections under the increased rates of the personal and corporation income taxes would not be made until the present fiscal year. The same is true of the excess profits tax. Nevertheless, tax revenues for the fiscal year 1939-40 are estimated to have been $468 million as compared with $436 million in the previous fiscal year. This increase in tax revenue, to which practically all taxes, except the income tax, contributed, was the result of increasing business activity and, in some cases, of increases in rates. Receipts from the income tax reflected the rates and the incomes of the calendar year 1938, and not the results of the accelerated business in 1939 which will be realized in the income taxes to be paid in the present fiscal year. Tax revenue from the first of September, 1939, to March 31, 1940, was $51 million in excess of the amount collected in the same period in 1938-39. This is a striking confirmation of the fact that the period which was expected to be commercially quiet and hesitant at the start at least, turned out in fact to be one of extremely active business and consumer buying.

Turning now to expenditures: In the September 1939 budget, total expenditures for the year would, it was estimated, aggregate approximately $651 million, not including the two items of capitalized defence expenditures and further losses in the marketing of wheat. Our total expenditures for last year are now estimated at $681 million. This includes all our defence expenditures and in addition a further $27 million incurred in wheat marketing. Once the war had begun, it seemed that conservative accounting could no longer justify the capitalization of defence expenditures as provided for in last year's estimates, and all such items have been charged to war expenditures. Furthermore, while at the close of the fiscal year there still remained unsold a small amount of wheat of the 1938 crop, it was clear that the losses of the Canadian Wheat Board in respect of the marketing of that crop would amount to at least $52 million. Therefore, an advance of this amount was made to the board and this enabled the board

to pay off guaranteed bank advances to that amount in respect of 1938 wheat. As provision had already been made in the accounts of the year 1938-39 for setting up a reserve of $25 million in respect of possible losses in marketing this wheat, the difference between this sum and the advance of $52 million made to the Board, namely, $27 million, has as already indicated been included in the 1939-40 expenditures. When we add to our estimated expenditure of $651 million these two items of $27 million of capitalized defence expenditures and $27 million more for wheat losses, you will note that if we had spent what we estimated the total expenditure would have been $705 million. It will be seen, therefore, that since our actual aggregate expenditures were only $681 million we have done considerably better than was expected last September.

The figure of $681 million which I have given as representing our aggregate expenditures for the year may be broken down by main categories of expenditure as follows (using round numbers):

Ordinary expenditures	$398,000,000
Capital expenditures	7,000,000
Losses on and non-active advances to government-owned enterprises.	42,000,000
War expenditures	118,000,000
Other special expenditures including unemployment relief and wheat losses	89,000,000
Other charges	26,000,000

In the above item of "other special expenditures", the amount for unemployment relief, relief works and western drought area relief totalled $62 million as compared with $47 million during the preceding year. This includes a net expenditure of $7·5 million under the Prairie Farm Assistance Act.

Under "government-owned enterprises", the main item of expenditure was the net income deficit of the Canadian National Railway, which amounted to slightly over $40 million as compared with $54 million for the preceding year. This substantial decrease is a reflection of improved business conditions and heavier traffic movement, particularly during the latter part of the year. A fact to be noted with considerable satisfaction is that while operating revenues increased by 11·8 per cent, the heavier traffic was carried with an increase in operating expenses of only 3·8 per cent.

The net result of the year's receipts and outgoings is that, because our revenues were about $46 million greater and our expenditures about $24 million smaller than were anticipated, our over-all deficit for the year will be about $70 million less than was expected. However, the actual deficit will still approximate $118 million, as compared with $51 million in 1938-39.

[Mr. Ralston.]

As a result of the over-all deficit of $118 million, the net debt of the dominion rose to approximately $3,270,980,000 as at March 31, 1940. Gross liabilities at that date are estimated at $4,028,573,000. On the other side of the balance sheet, offsetting these liabilities in part, the dominion had active assets, including cash on hand, sinking funds, and active loans and investments, amounting to $757,593,000.

At the close of the fiscal year there was outstanding unmatured direct funded debt (including treasury bills) amounting to $3,695,685,000, of which $67,196,000 were held in sinking funds against certain issues payable in London. Bonds and debenture stocks bearing the guarantee of the dominion and outstanding in the hands of the public aggregated $1,084,479,000 as at March 31, 1940. These guaranteed securities were decreased by $987,000 during the year. There are also outstanding certain other contingent liabilities arising out of guarantees given under relief acts and various other statutes. These are fully set out in the white paper which is being placed on *Hansard*.

It will also be of interest to hon. members to know that as at March 31st last the average rate of interest on the dominion direct funded debt (including treasury bills) was 3·40 per cent as compared with 3·52 per cent on March 31, 1939 and 5·02 per cent on March 31, 1930.

III

BUDGET FORECAST, 1940-41

I now come, Mr. Speaker, to what is by far the most difficult part of my task. It is quite possible with reasonable assurance to analyse recent economic trends, to describe our fiscal policies and outline our financial operations for a year which has passed. But it is an entirely different matter, particularly under present circumstances, to forecast the future and to evolve and propose the measures which may be best calculated to meet conditions probably more unforeseeable than those of any period in our history. That, however, is a responsibility which one in my position must take and my task only differs in degree from that of my predecessors.

On the expenditure side, the estimates already tabled provide for a total expenditure on non-war activities of government of $448 million. As you know, these estimates represent a combination of the ordinary main estimates, the supplementary estimates and the special supplementary estimates which have been presented to the house in recent years. My hope is that it will not be necessary to ask parliament for any supplementary estimates for peace-time services of government,

unless this parliament approves new undertakings not contemplated when our estimates were prepared.

Just here may I divert for a moment or two to mention the matter of economies in governmental peace-time expenditures. These are important because they release funds for war purposes.

If you will compare the figure I have given with the corresponding total of the estimated expenditures for the preceding fiscal year, you will find a reduction of over $77 million. That very large reduction reflects not only improvement in the operations of the national railways and in the relief situation but it is also the result of a good deal of painstaking examination and re-examination in all government departments in order to obtain the maximum economies in our departmental activities as well as to reduce or eliminate services which however justifiable in peace-time ought not to be regarded as absolutely vital in war-time. Our war effort has unquestioned priority; and the tremendous financial burden it will involve and the drain it will cause on the man-power, equipment and resources of the country make it vitally imperative that all governmental authorities—not only dominion, but—if I may go beyond federal bounds—provincial and municipal as well, should appraise with a sense of national responsibility the justification for the dollars proposed to be spent on normal activities. Every such dollar must, directly or indirectly, come out of the pockets of the people. And it ought almost to go without saying that to provide the enormous sums which must be spent by the dominion this year for defence, the ordinary expenditures of governments—all governments—in Canada must be decreased if they are not to restrict the amount that can be devoted to the driving task of defeating nazism. In the federal field, I have had the effective cooperation of my colleagues and their departmental officers in achieving the economies I have reported. The premiers or provincial treasurers of several of the provinces have discussed this problem with me and I have also had the opportunity of conferring with a number at least of the mayors of our cities and towns on the same subject. The attitude of them all was so instantly and definitely cooperative as to convince me that all that is necessary is that the position be understood to make certain that the response by all governmental authorities will be just as unhesitating and just as reassuring.

The chief difficulty which all governments face in reducing ordinary expenditures is the fact that usually so small a proportion of these expenditures is controllable and there is the further fact that significant reductions in these controllable expenditures involve throwing out of work large numbers of employees, many of them of long service and some without superannuation privileges of any kind. To give an example, the expenditures under our main estimates last year amounted roughly to $400 million. Of this amount $260 million represented what were regarded as absolutely uncontrollable expenditures; and by that I mean war pensions, old age pensions, subsidies to provinces, interest on funded debt, et cetera. This left only $140 million out of which savings might be made and of this amount $80 million was for salaries and wages. So that, apart from discharging government employees, there was only the sum of $60 million covered by those main estimates which might be subjected to reductions.

Fortunately, the development of the war programme has made, and will increasingly make possible the absorption of such persons in war activities. For some time we have had an inter-departmental committee at work to examine into and provide for the transfer of such personnel. As the house knows, there have been eliminated during the present year all ordinary public works of a capital character; but the opportunities for employment resulting from the war programme will make possible, and the demands of the war programme will, I believe, make it necessary that labour and resources should be released from the construction of these public works, most of which have in recent years been provided for primarily to alleviate unemployment.

With that interjection on economies I return to my forecast.

To our estimated expenditure for normal purposes of $448 million must be added whatever will have to be spent during the year for war purposes. Parliament has already approved a war appropriation amounting to the sum of $700 million, more than four times what was spent in the corresponding fiscal year of the last war.

Combining these two figures gives us a total of $1,148 million. But even this huge sum may not, and almost certainly will not, represent the total of our expenditures for the current fiscal year. Events are moving with lightning speed. Plans are having to be reshaped and extended almost daily, and no man can foretell what we will be called upon to provide in the next nine months. As you know, since the War Appropriation Act was passed with its grant of $700 million for war purposes, we have made heavy additional commitments and these are constantly having

to be added to. There will be some offsetting factors to these new obligations. There were some commitments in our earlier estimates which may not be required due to possible alterations in military formations which depend on the nature of the duties for which they may be needed. There will be certain modifications because in some cases the estimates were based on a rate of replacements assumed to be required by active warfare in France. There will be other items which will be superseded by the emergent measures of the last few weeks.

There are many factors which make even approximate calculation very difficult, but to give the house the roughest sort of idea, I would think that we are already committed for probably another $150 to $200 million for the fiscal year, and that such reductions as may take place in our original estimates due to changes in plans will probably be more than offset by further undertakings.

Turning now to make a forecast of our revenue, our estimate is that, assuming a continuance of present trends and no serious interruption of our export trade, our total revenues for the present fiscal year on the basis of our existing tax structure will amount to approximately $650 million. This estimate is made up as follows:

Tax revenue		
Customs duties	$132,000,000	
Excise duties	83,000,000	
Sales tax	170,000,000	
Other excise taxes	30,000,000	
Income taxes	166,000,000	
Excess profits tax (to be superseded)	nil	
Bank note circulation and insurance companies taxes	2,000,000	
Total tax revenue		$583,000,000
Non-tax revenue		
Post office receipts	$ 37,500,000	
Interest on investments	13,500,000	
Miscellaneous	16,000,000	
Total non-tax revenue		$ 67,000,000
Total ordinary revenue		$650,000,000

Our ordinary expenditures and the amount already authorized by parliament for war purposes total, as I have said, $1,148 million. We are faced, therefore, with a probable deficit, on the basis of our present tax structure, of at least $498 million plus an indeterminate amount which may easily bring that deficit up to $700 million. Consequently, it is necessary to answer boldly and realistically two questions:

First, what part of this probable deficit is to be met by taxation, and what part by borrowing?

The same question can be put in different terms. How can we take out of the rising national money income of this country funds for the purposes of war as rapidly as, but not more rapidly than, resources, equipment and labour can be diverted for those purposes? Or, at what rate should this diversion of funds be accomplished so that the output of our industry and of our man-power shall be expanded to the limit?

The second question which has to be answered is: How can the budgetary policy of the government help to conserve foreign exchange?

Neither the house nor the people of this country will expect financial miracles. They have a right, however, to expect that the financial measures recommended shall be appropriate to the critical situation in which the country finds itself and shall ensure a mobilization on the economic front which will achieve the very maximum effort of which this country is capable.

To answer the second question first:

I now outline the fiscal measures for promoting the conservation of foreign exchange. There will be two measures submitted with that definite purpose in view.

First, it is proposed that a war exchange tax of 10 per cent shall be imposed on the value for duty purposes of all imports, free and dutiable, from non-empire countries. The tax will be subject to drawback for export as in the case of customs duties.

The government is aware that there may possibly arise the odd case of real hardship where materials or parts used by Canadian producers will be subject to this tax while the finished products, entering tax free under the British preferential tariff, will actually compete with the Canadian-made finished product to such an extent that the 10 per cent exchange tax may make it impracticable commercially for the manufacturer of the finished product

to continue production. Such cases if they are established can be dealt with under existing machinery relating to the remission of taxes. They will, it is safe to predict, be very few because the apparent trade advantage given to imports from Great Britain by this tax is small in comparison with the handicaps which the higher costs of war-time production in Britain and of ocean transportation will impose on such imports.

Though the purpose of this tax is primarily to conserve exchange, it is estimated that it will be productive of considerable revenue. The estimate is that in the first full year of operation it will yield $65 million, of which $50 million will be collected in the present fiscal year.

As this is intended as an exchange tax and not a protective duty, power will be taken to prevent unjustified increases in prices as a result of this tax. The policing of price increases will be under the war-time prices and trade board and any attempt to take advantage of the tax to increase prices other than to the extent justified by an increase, resulting from the tax, in the cost of raw materials or parts entering into the product, can be dealt with by appropriate measures applicable to the industry or the individual as the case may be. It would merely add to the post-war problems of adjustment if industry made plans for permanent production in Canada on the assumption that this special exchange tax would be permanent.

The other exchange measure relates to automobiles, both imported and domestic. It is proposed that, in place of the present small excise tax on automobiles of 5 per cent on the value in excess of $650, there be substituted a heavier tax on new passenger automobiles, steeply graded so as to be, it is expected, virtually prohibitive of the purchase of higher priced cars. It is this class of automobile which accounts for the major part of our imports of finished cars, and in so far as they are produced in Canada, they require the importation of parts and materials in higher proportion than the lower priced cars. This tax will effectively help to prevent the drain on our foreign exchange which these imports cause. The proposed rates of excise tax to be imposed on the manufacturers' price of Canadian-made automobiles and on the duty-paid price of imported automobiles are as follows:

On the value up to $700	10 per cent
On the excess over $700 and up to $900	20 per cent
On the excess over $900 and up to $1,200	40 per cent
On the excess over $1,200	80 per cent

This tax, which is on sales by manufacturers and importers, will extend to cover also sales by dealers of new and unused cars now in dealers' hands.

It can hardly be argued that there is any undue sacrifice imposed on the Canadian citizen in asking him to postpone the purchase of higher priced cars for the duration of the war.

But the tax is not limited to higher priced cars; it falls, in a decreasing scale, on lower priced cars most of which are made in Canada but have a certain percentage of imported content. Productive capacity in Canada, and I believe also in the United States, will be more and more taken up with work on war equipment. Our production of automobiles will necessarily therefore be restricted if war work is to have priority. While not at the moment cutting off all production of passenger cars, this tax will, it is believed, restrain the demand and tend to keep it in balance with lowered production without causing the increase in price which might result from curtailed productive capacity and unrestrained demand. It is expected that any surplus of labour either in manufacturing establishments or in garages occasioned by this tax will be absorbed by war needs for the production and servicing of mechanical transport and other equipment.

Here again, then, the primary purposes of the tax are to save exchange and to release productive capacity for war purposes without dislocation of industry. Revenue is only incidental and will be comparatively small. It is anticipated that in the first full year of taxation it will yield $3,500,000 in revenue, of which $1,500,000 will be collected in the present fiscal year.

In addition to these two substantive measures of a fiscal character for conserving exchange the government through the policies of the Department of Munitions and Supply and through the operation of administrators appointed under the Wartime Prices and Trade Board, is also endeavouring to save foreign exchange in its own operations, and it may, from time to time, in respect of certain classes of civilian imports, take other measures of a non-fiscal character for the purpose of meeting this vital need as circumstances seem to require.

I should add here that there is one important way in which our supplies of foreign exchange may be increased. Canada is fortunate in the strength and extent of her gold mining industry which in the last eight years has shown such a rapid expansion. Further expansion of output is the most immediate and important means at hand for directly augmenting our

supplies of foreign exchange, and I think I can appeal with confidence to those engaged in producing gold to put forward every effort to increase their production as rapidly as possible.

In this connection I am glad to acknowledge assurances already from a number of important companies that it will be their policy to step up production as far and as fast as conditions permit. I realize that the rate of increase which is practicable will vary with the differing conditions at different mines, but I feel sure that the directors of each enterprise in the industry will review their situation and adjust their production policy in the light of the present need.

Even larger than our gold as a source of foreign exchange is the tourist industry that Canada has built up over many years. This year, the government provided for an increased appropriation to promote the expansion of this activity, but its effects may be at least partly offset by misinformation and misunderstandings regarding recent regulations and by unfounded rumours that have been circulated. Nearly every Canadian can help to increase our receipts of foreign exchange by stamping out these mischievous rumours and by encouraging our friends in the United States to visit us in Canada. This country is ready and anxious "to be a good host to a good neighbour".

We all should take particular pleasure in seeing that friendly visitors to this country are treated with the courtesy and cordial interest due to good and sympathetic neighbours, and that they are made to feel that we appreciate their coming. At no time have our friends from south of the border been more welcome, and we shall do everything we can to see that their coming to us and their stay with us is made as convenient and comfortable and enjoyable as it possibly can be. We want them to go back with the happiest recollections of their neighbourly visit to Canada.

The result of the two fiscal measures which I have outlined, namely, the war exchange tax and the automobile tax, will not be to reduce our total imports of merchandise from non-empire countries, of which the chief is, of course, the United States. As a matter of fact, these imports will, due to our war requirements, be greater than ever, but the important result of these measures will be that out of the total supply of foreign exchange which we can obtain by the export of our products, by the export of gold, by the sale of our tourist services, the maximum possible amount shall be made available for those purchases abroad of industrial materials, machinery and instruments of war which the imperious needs of war dictate.

As I have explained, these proposals for conserving exchange are dictated by the conditions of the present emergency. Needless to say, we regret that the exigencies of war make any such restrictive action necessary, and our fervent hope and firm resolve are that at the earliest possible moment we may be able to return to the long-run policy of this government, which is that of the progressive lowering of trade barriers and the encouragement of trade not only with the United States but with all peaceful nations. The government remains in fullest accord with the trade agreements programme in which Canada has cooperated with the United States, Great Britain and other countries, and has no intention or desire to alter by these emergency measures the permanent channels of trade.

The war exchange tax is peculiarly an emergency measure. It is of the type provided for by the war clause of the Canada-United States Trade Agreement, and action is taken under that clause. The operation of this proposed measure will, accordingly, end with the war.

I now come to the measures designed primarily for revenue. The first one is a new Excess Profits Tax Act. At the brief session of last September, parliament enacted a statute of this type. Under that legislation, a business to which the tax applied had the option to be taxed on either of two bases. Under option A, the tax was graduated according to the rate of return on capital. Under option B, the tax was fifty per cent of the excess of profits in the taxable year over those of a four-year pre-war base period. The tax was payable only in respect of profits of the year 1940 and fiscal years ending after March 31, 1940. Up to the present, no taxes have been collected under this act because the tax is not payable until four months after the end of a firm's fiscal year.

As I have already stated, this act was quickly drafted and placed on the statute book last fall in order to indicate one of the forms of war taxation which the government was adopting. In the brief time available it was impossible to give this form of taxation, new to Canada, the intensive and detailed study required to envisage its application under the varying conditions existing here. On further examination one main feature which appeared to be undesirable was the right of the taxpayer to choose between the two options. In the light of actual conditions it was found that many established firms would pay little or no tax, while others which had not been in business prior to the

war, or had been operating in a depressed industry, or were undergoing rapid expansion, would be subject to what appeared to be unwarranted discrimination. There were many other situations both of substance and administration which required review. And so since the passing of the act in September the measure has been thoroughly overhauled and, as I intimated publicly over four months ago, very extensive amendments will be proposed and we have decided to recast the whole act. The new measure will be much more drastic but at the same time its application as between various industries and firms will be far more equitable.

I shall not attempt to summarize all the changes to be effected by the bill which will be submitted, but I should outline some of the main features of our proposals:

(1) Option A will be dropped altogether and we will instead rely wholly on the general principle of the British act which was also the principle followed in option B of the old act. On this basis we will increase the tax from 50 per cent to 75 per cent on the excess of profits in any taxable year over those earned in the base or standard period.

(2) In order to ensure that no profitable business will escape taxation, it is proposed that in no case of an incorporated company shall the excess profits tax, when combined with the corporate income tax, be less than 30 per cent of the company's total profits, whether or not such profits exceed pre-war profits. It will be remembered that the corporation income tax is 18 per cent.

The same result is achieved in the case of unincorporated businesses by provision that the excess profits tax shall never be less than 12 per cent of the total profits, whether or not such profits exceed pre-war profits.

(3) There will be a number of provisions for adjusting the base or standard profits in the case of newly established businesses, businesses whose capital employed or whose scale of operations has been or is rapidly expanding, and businesses operating in depressed industries whose base years show losses or abnormally small profits.

(4) In order that firms may not receive discriminatory treatment because their fiscal years happen to end on different dates it will be recommended that the tax in respect of all businesses shall apply to profits earned on and after the same date, namely, January 1, 1940, regardless of the expiry date of their fiscal year.

(5) The tax will not apply to businesses whose profits are not in excess of $5,000, and allowance will be made for drawings in lieu of salaries not in excess of $5,000 by sole proprietors or partners.

(6) To assist in carrying out these provisions fairly and realistically, the appointment of a board of referees will be proposed.

(7) In connection with the gold mining and the oil producing industries a different basis of adjusting base or standard profits appears necessary to deal with new and expanding companies. In the present emergency, as I stressed a little earlier, it is considered desirable to encourage the development of these natural resources, particularly because of their effect in directly increasing our supplies of hard currency exchange or in decreasing our requirements therefor.

These industries also require the risking, and very often the losing, of large amounts of capital in exploratory and development work before production commences. The results obtained from these expenditures are inherently erratic, depending on the possibility of a "lucky strike." If a "strike" is eventually made, increases in the scale of production or recovery are not closely related to increases in the amount of capital employed.

Consequently, for the purpose of adjusting standard profits in the case of expanding operations, the basis used will be not capital employed but number of units of output. In the case of a new development, standard profits will be calculated by taking into account the number of units of output in the taxable year and the average price of the product during the base period.

All companies in the gold mining or oil producing industries (except companies exempted temporarily from corporate income tax under section 89 of the Income War Tax Act) will, however, as in the case of all other companies, pay in excess profits tax and corporate income tax combined a minimum of 30 per cent of the total profits, whether or not such profits exceed pre-war profits.

You can readily appreciate how difficult it is to forecast the yield of a tax such as this, but our rough estimate is that in a full year's operation the excess profits tax will yield about $100 million, of which approximately $25 million will be collected during the current fiscal year.

The next revenue measures proposed apply to individuals. They are:

First, sharp increases in the personal income tax by a revision upwards of rates throughout the whole range of taxable incomes and a lowering of exemptions;

Second, an over-riding flat rate tax, collectable at the source in most cases, in respect of all taxable incomes and including lower incomes than those covered by the income tax itself.

I will deal first with our proposals relating to personal income tax. This is the tax which

in principle most nearly approximates ability to pay. We realize that increases in indirect taxes disguise the burdens imposed by the war but they are much more likely to distribute these burdens harshly and unfairly. While increases in such taxes may eventually be necessary, we are striving in this budget to deal with the situation (except in the case of particular commodities or where exchange considerations make special measures necessary) by a direct call on our citizens graded according to their means and responsibilities. We believe that a straightforward assessment of the contribution to the common cause will be loyally accepted and paid as a small price for the preservation of our liberties. Following out that principle, the government has, therefore, decided to submit not an increase in the sales tax but heavy increases in the direct tax on individual incomes.

In establishing the new rates, we have been limited by two insistent considerations. It would be popular, if it were practicable and possible, to pay the stupendous costs of war by imposing taxes only on those earning higher incomes. The stubborn fact is there is not enough income in the so-called higher brackets to produce more than a small fraction of the necessary revenue.

On the basis of 1938-39 figures, the latest which are available, the total of all incomes above $50,000 was only $35 million, and, under present rates, the tax on these would amount to $20·5 million leaving only $14·5 million available for provincial and municipal taxes and any further taxation by the dominion—to say nothing of living expenses and personal obligations. Similarly, in the group from $25,000 to $50,000, the aggregate income was only $32 million, of which taxes at the present rates would take about $10·8 million, leaving only $21·2 million. Finally, it has to be noted that the total assessed income of all persons liable to income tax in the year 1938-39 was only $730 million, and if we took from all these people the whole of their incomes in excess of $2,000 a year we should obtain only $114.5 million more than we would get on these incomes at existing tax rates. When we compare these disappointing amounts of aggregate income available in these various income brackets, however drastically we might tax it, with the $700 millions and upwards of war expenditure, to say nothing of the further expenditures of $448 million on ordinary account, it is clear that we cannot go far to meet the costs of the war simply by taxing large incomes, or even those of moderate size.

The second consideration is that the dominion is not the only taxing authority levying steeply graduated rates on large incomes. Every province in Canada, except Nova Scotia and New Brunswick, now levies income taxes and in certain cities taxpayers must pay municipal income taxes as well as provincial income taxes. Ontario, Manitoba, and Prince Edward Island are the only provinces which allow, as a deduction from income, the tax paid to the dominion. All these authorities tax at different rates. This means that unless we are prepared to be entirely arbitrary and unfair and to set up schedules of rates which when added to the rates imposed by other taxing authorities would be nothing short of fantastic, the dominion must, in fixing its schedule of rates, take cognizance of the highest schedule of rates effective in any province. This is but an instance of the chaotic situation in the fiscal systems of Canada to which the Sirois report has drawn attention and which, I regret to say, appears to be getting worse rather than better.

There will, however, be no class in the community which will not recognize the necessity of bearing some part of the war burden. In the past our exempton limits have been considerate, to say the least. No income tax whatever has been paid by the single person receiving less than $1,000 per year or by the married person receiving less than $2,000 per year. In addition, the married person got a further exemption of $400 for each child. Our rates of tax in the low and middle income groups have been low, very low indeed as compared with the rates on comparable incomes in the United Kingdom. While the increases in rates I have to propose will be substantial when expressed as a percentage of the comparatively low taxes formerly paid, the increase in the dollar amount per individual is not unduly large and will, I am confident, not be regarded as an undue burden when contributed to meet the situation which faces us all.

It is proposed that exemptions under the graduated Income Tax—that is, our present personal income tax act—which, as I have said, are at present $1,000 for single persons and $2,000 for married persons, be reduced to $750 and $1,500 respectively. The exemption for each dependent child is left, as at present, at $400. Under the proposed rates, the taxpayer, on the first $250 in excess of the exemption, will pay 6 per cent instead of the present initial rate of 3 per cent. On the next $750 of income the proposed rate is 8 per cent, and on the next $1,000 in excess of exemptions 12 per cent, and so on upwards. In the past dependence on indirect taxation has left incomes which were just above the exemption limits taxable at very low rates, and, hence, the increases are necessarily proportionately

greater on the groups receiving incomes between the exemption limit and, say, $10,000, than on those receiving higher incomes. Nevertheless, the rates on high incomes, already steeply graduated, have also been increased as much as we consider they can practicably be increased, having regard to the taxes levied on these same incomes by certain provinces and municipalities.

I may add that we have at the same time simplified the structure of income tax rates by doing away with the old 5 per cent surtax and the 20 per cent war surtax imposed last fall and substituting therefor a schedule of higher rates throughout the whole range of incomes.

I come now to the second revenue measure applicable to individuals—and I think I should deal with this measure and then give the house illustrations of how the two measures combined work out in connection with individual incomes:

To supplement the graduated income tax we propose a national defence tax at a flat rate applicable to all incomes above $600 for single persons and above $1,200 for married persons. The rate of tax for married persons will be 2 per cent if the income exceeds $1,200, and for single persons the rate will be 3 per cent if the income exceeds $1,200 and 2 per cent if the income exceeds $600 and is not more than $1,200. But there is a proviso that in no case will the income of the taxpayer be reduced below $600 or $1,200 as the case may be. For dependent children, a deduction from tax equal to the rate of 2 per cent on the usual $400 exemption for each dependent child is to be allowed. Thus, a married person with an income of $1,400 and three dependent children would be liable to a tax of $28 (2 per cent of $1,400) minus $24 in tax credits for children, leaving $4 as the tax payable.

As far as it is administratively practicable this tax will be collected at the source. Thus employers will deduct the tax from the employee's earnings when the pay is at the rate of $600 per year in the case of unmarried employees and $1,200 per year in the case of married employees, and companies will deduct the tax from dividends and interest on registered corporate bonds. In cases where the full amount payable has not been deducted and in all other cases where the annual income amounts to or exceeds the minimum amounts of $600 or $1,200, as the case may be, the taxpayer is required to make a return as in the case of the graduated income tax.

It is recognized that there will be a good deal of additional work for employers and their staffs in making deductions and returns, and provision will be made toward reimbursing employers for expenses so incurred. Employers, however, can by their cooperation and interest help greatly in working out the methods to be adopted and in making the system operate efficiently and fairly and with a minimum of inconvenience both to their employees and to themselves. I feel sure that under the circumstances we can count upon the full cooperation of employers in this additional task which they are called on to perform in the national interest at this time.

It might be useful if I now gave a few examples showing how the new income tax rates taken along with the national defence tax which I have briefly described will affect certain classes of taxpayers. Let us take the case of the single person, with no dependents, earning $800 a year. Under our existing income tax law he would not pay any income tax since he is at present exempt up to $1,000. Under the legislation just proposed, however, the $800 single man will be required to pay the national defence tax of 2 per cent of his total earnings which is $16, and under the income tax he would pay 6 per cent on the amount of his income in excess of $750, which is the new exemption figure for income tax purposes. This income tax would thus amount to $3 (6 per cent of $50). Consequently, his total tax per year would be $19 where previously he paid no tax.

A single man with no dependents earning $1,500 would pay $100 under the new proposals where he now pays only $18.

A married man with no dependents earning $2,000 is at present just on the exemption line, and pays no tax. Under the new set-up his tax bill will be $75.

Perhaps some hon. members would be interested in knowing how the new measures will affect the position of a married man with an income of $4,000 a year. Under our existing tax he pays $84; under the new measures he will pay $355. If he has two children he will pay $223 under these new taxes compared to $45.60 under the present tax. A single man with the same income now pays $144, and under the new measures he will pay $525.

To illustrate the effect of the changes in the case of higher incomes, a married man, with no dependents, having an income of $20,000, pays $3,112 under the present tax, and will pay $6,530 under the new taxes. With an income of $200,000 he pays the dominion $103,698 under the present rates, and under the new taxes he will pay $119,430 or 59·7 per cent of his income. Adding provincial and in certain cases municipal income taxes as well, we find that the latter married man with no dependents, if he lives in Ontario, will pay $129,679 or 64·8 per cent of his total income; if he lives in Montreal, he will pay $149,516

or 74·8 per cent of his total income; and if he lives in British Columbia, he will pay $170,425 or 85·2 per cent of his total income.

Let me give a few additional illustrations to show the relative burden of our new rates as compared with the British income tax rates. Take a married man with no dependents living in Ontario. If he receives an income of $1,000, he will pay no tax in Canada—that is, he is under the exemption limits provided for by the national defence tax ($1,200 for married men) and by the regular income tax ($1,500 for married men)—while his British cousin in like circumstances would pay $14.31. If his income is $1,500, he will pay 33 per cent of the amount he would pay in Britain; if it is $4,000, he will pay 46 per cent of the British tax; if it is $10,000 he will pay 71 per cent of the British tax; if it is $200,000 he will pay 86 per cent of the British tax; and finally, if he should have an income of $500,000, he will pay 94 per cent of what he would have to pay in Britain. If he happened to live in certain other provinces, his total tax would be a considerably higher percentage of the comparable British tax and in the higher brackets of income would in some cases exceed the United Kingdom tax. Thus, a married man with no dependents and an income of $50,000, living in Quebec, would pay 107 per cent of the British tax, and if he were living in British Columbia he would pay 114 per cent of the British tax. If his income were $200,000 he would pay 99 per cent of the British tax if he lived in Quebec, and 113 per cent of such tax if he lived in British Columbia.

It is anticipated that the increases in the income tax will contribute $58 million of new revenue in a full year of operation, but none of this will be available in the current fiscal year. It is estimated that the national defence tax will provide $35 million additional revenue in a full year but only $20 million in the current fiscal year. To make it quite clear let me emphasize that this national defence tax is the only direct tax imposed by the dominion on unmarried persons with incomes from $600 up to $750 per year and on married persons with incomes from $1,200 up to $1,500 per year. On incomes of $750 and up in the case of single persons and of $1,500 and up in the case of married persons, both the income tax and the national defence tax apply.

For the convenience of hon. members, I shall now table a statement showing for a number of different incomes the amount of tax payable to the dominion under the existing income tax, the amount payable under the new income tax rates and the national defence tax combined, the total amount payable to the dominion combined with the amount payable in each of the several provinces where income taxes are imposed, and the percentage of the British tax which a man living in Ontario would pay in dominion and provincial taxes combined:

INCOME TAX COMPARISONS

(Married Persons with No Dependents)

Income	Present Dom. Tax	New Dom. Tax with Nat. Def. Tax	New Dominion Tax Plus National Defence Tax Plus Income Tax Payable in							United Kingdom Tax (£1=$4.45)	New Dom. Tax with Nat. Def. Tax and Ont. Tax as % of U.K. Tax
			B.C.	Alta.	Sask.	Manitoba	Ontario	Prov. Que. and Montreal	P.E.I.		
	$ c.	$ c.	$ c.	$ c.	$ c.	$ c.	$ c.	$ c.	$ c.	$ c.	%
$ 1,500	.....	30 00	35 00	30 00	30 00	45 00	30 00	30 00	32 50	141 00	21·3
2,000	.....	75 00	85 00	85 00	86 50	103 90	75 00	83 75	85 73	328 50	22·8
3,000	36 00	195 00	225 00	230 00	236 50	251 70	207 97	228 75	227 30	703 50	29·5
4,000	84 00	355 00	415 00	425 00	427 00	440 55	384 50	437 50	416 87	1,078 50	35·7
5,000	144 00	555 00	655 00	670 00	667 50	678 34	603 62	714 25	653 83	1,453 50	41·5
10,000	781 20	2,170 00	2,675 00	2,660 00	2,658 25	2,532 60	2,336 35	2,859 50	2,475 10	3,550 07	65·8
15,000	1,789 20	4,330 00	5,590 00	5,445 00	5,450 88	4,996 60	4,643 35	5,740 50	4,816 00	5,993 83	77·5
20,000	3,112 20	6,530 00	8,895 00	8,555 00	8,546 00	7,582 70	7,030 90	8,675 50	7,413 40	8,715 07	80·7
30,000	6,514 20	11,200 00	15,375 00	15,900 00	15,443 05	13,230 40	12,175 00	14,910 00	12,652 00	14,796 31	82·3
50,000	14,351 40	21,610 00	30,605 00	32,310 00	30,937 15	25,980 09	23,721 80	28,823 50	24,424 00	26,943 19	88·0
75,000	25,880 40	36,065 00	52,060 00	54,265 00	52,928 53	43,298 12	39,561 55	48,162 75	39,983 50	46,216 94	85·6
100,000	39,299 40	51,520 00	74,515 00	77,220 00	77,232 40	61,586 54	56,382 20	68,424 00	56,443 00	66,547 56	84·7
150,000	70,043 40	84,475 00	121,470 00	125,175 00	129,597 18	100,168 37	92,044 00	107,770 00	91,202 50	108,265 69	85·0
200,000	103,698 00	119,430 00	170,425 00	175,130 00	183,977 18	140,711 25	129,679 75	149,516 00	127,762 00	150,765 69	86·0
500,000	334,656 00	357,235 00	492,230 00	502,935 00	538,332 18	407,257 58	381,103 30	433,682 00	372,386 50	405,765 69	93·9

It is on the foregoing taxes that we depend for the bulk of the necessary increase in revenue, but there are a number of other changes, some of which will contribute substantial sums to the treasury and some of which are proposed largely as readjustments of unsatisfactory situations.

Smokers' supplies are again made the subject of tax increases. It is proposed that the excise tax on matches shall be increased from three-quarters of a cent to one cent per hundred. It is further proposed that the excise tax on cigarettes weighing less than two and a half pounds per thousand shall be raised to $6 from the present rate of $5. The rate on manufactured tobacco is to be increased from 25 cents to 35 cents per pound. To prevent a substantial decline in the revenue from cigarettes and cut tobacco because of these high rates, it has been necessary to impose a tax of 10 cents a pound on the sale of raw leaf tobacco and to increase the tax on cigarette papers and tubes from 2 cents to 5 cents per hundred. The tax on raw leaf tobacco will only apply on sales to consumers. The grower may sell to the merchant or dealer or manufacturer without tax. The rates under the Special War Revenue Act on cigars will also be increased. It is estimated that in a full year these new or increased rates will yield $15,540,000 of new revenue, of which $11,680,000 will fall in during the present fiscal year.

It is proposed that the present excise tax on automobile tires and tubes shall be increased from 2 cents and 3 cents per pound respectively to 5 cents and it is anticipated that from this change $1,100,000 in revenue will be derived in a full year and $825,000 in the current year.

It is proposed that a new excise tax of 10 per cent will be imposed on radios, radio tubes, cameras and phonographs. While this is in the class of sumptuary taxes there is the further consideration that the resources used in the production of most of these products are of a type suitable for producing war supplies and it is expected that such manufacturing capacity as may be affected by any lessening or lack of increase in demand due to this tax will prove useful in war work. It is estimated that the approximate yield of this tax will be $1,500,000 in the full year and $1,100,000 in the current fiscal year.

There are proposed also a number of readjustments in taxes. Since the sales tax on dressed and dyed furs is imposed at the initial point of processing and not on the finished fur garment, it is proposed that the rate be 12 per cent rather than 8 per cent as at present in order more nearly to equalize this tax with the 8 per cent sales tax which is imposed on finished cloth garments. The present exemptions under the sales tax for home canners and for farmer florists are to be restricted to fixed quotas so as to facilitate administration in confining the benefit of the exemptions to bona fide farmers. The tax on carbonic acid gas which last September was proposed to secure revenue from the soft drink trade is to be increased from 2 cents to 5 cents per pound. These revisions, it is estimated, will yield $550,000 in the full year, and $415,000 in the current fiscal year.

In addition to the major features of the budget programme which I have outlined, there will also be found in the resolutions a number of proposed amendments to our taxing statutes which either involve tax changes of a minor nature or are designed to remove anomalies and facilitate administration. For instance, in the income tax resolutions there will be a provision for clarifying and extending the definition of income to cover payments made to life annuitants under purchased annuity contracts, and the exemption now accorded to dominion government and like annuities up to $1,200 per year will be removed in respect of all new contracts. Also in order to prevent evasion of either the income tax or the excess profits tax it is proposed to give power to the treasury board to rule in any specific case that a transaction or reorganization has been of a specious character designed to avoid or minimize taxes and that therefore the taxpayer should be assessed without regard thereto.

With regard to the customs tariff: five reports from the tariff board will to-day be laid on the table. The reports on cyanides and firebrick and the two on aircraft arise out of the reference made to the tariff board on December 5, 1938. This reference instructed the board to revise the whole of the drawback schedule. The items now being reported upon relate to industries connected with our war effort. The report on the radio industry reiterates most of the recommendations made in the earlier report on this subject presented to parliament during the first session of 1939 and provides for the widening of the scope of the existing tariff items covering parts and materials of radio receiving sets and radio tubes.

The tariff changes to be announced to-day, implement the recommendations of the tariff board as shown in the reports now tabled and apart from these affect only five commodities. One of the amendments proposed provides for duty-free entry of sodium nitrates, regardless

of the purpose for which imported. This material is now being used in connection with the production of alloys for steel but the existing duty-free provision did not cover this use. Material for use in the manufacture of nicotine sprays will henceforth be admitted duty free. Forgings for the manufacture of scissors and shears will be admitted at the special rates now applicable to blanks for knives, forks and spoons. The proposed amendment of the item covering dressed lumber permanently removes an anomaly temporarily taken care of by an item due to expire on July 1, 1940. The only other tariff change provided for continues the reduced rates of duty that have applied for several years to imports of rayon fabric now being used in the manufacture of certain rubber tires.

The measure enacted during the special session last September, providing for additional duties of customs, is being amended. The additional duty on manufactured tobacco of all descriptions, except cigars, cigarettes and snuff, is increased from 5 cents per pound to 15 cents per pound, and the additional duty on cigarettes is increased from $1 to $2 per thousand. These increases are necessary to correspond with the additional excise duties which I have announced as applicable to domestic tobacco items.

In the case of tea, while no change is being made in the actual rates of additional duties imposed last September, the value brackets are being lowered to bring a greater quantity of the imports of tea within the scope of the tax of 7½ cents per pound. Previously the lowest rate of tax, 5 cents per pound, was allowed where the value was less than 35 cents per pound. Under the proposed change only tea valued at less than 22½ cents per pound will be entitled to the low 5 cents per pound rate. The two remaining value brackets are also reduced accordingly.

I may summarize the results of the new and increased taxes which we are recommending by stating that we expect them to produce an increase in revenue of approximately $280 million for a full year. Of this total it is expected that about $110 million will be paid into the treasury during the balance of the current fiscal year. The house will realize how difficult it is under present conditions to predict with any degree of precision the yield of some of these new taxes. But I give below the results of such estimates as we have been able to make:

	Full year	Balance of current fiscal year
Excess profits tax	$100,000,000	$ 25,000,000
Graduated personal income tax	58,000,000	nil
National defence tax	35,000,000	20,000,000
War exchange tax	65,000,000	50,000,000
Automobile excise tax	3,500,000	1,500,000
Taxes on tobacco and smokers' supplies	15,500,000	11,700,000
Taxes on radios, radio tubes, cameras and phonographs	1,500,000	1,100,000
Taxes on tires and tubes	1,100,000	800,000
Other excise taxes	500,000	400,000
	$280,100,000	$110,500,000

Earlier this afternoon I estimated $650 million as the probable revenue for the present year without increases in taxes. Adding the $110 million which we expect to receive as a result of these new taxes, we get a total estimated revenue of $760 million. This may be increased somewhat as a result of prepayment of taxes because a number of individuals and corporations have already reported that they intend to make instalment payments in advance on account of their taxes which will not be due until next April. We can therefore take the figure of $760 million as a conservative estimate of our aggregate revenues.

Taking our expenditures at $1,148 million, our over-all deficit for the year would amount to $388 million, but that assumes that our war expenditures will not exceed the $700 million war appropriation already voted by parliament. There are still the further war commitments already made which I have roughly estimated at another $150 million to $200 million, and these will not be all. This means that in spite of the very heavy increase in taxes which I have proposed, it is not safe to count on an over-all deficit less than from $550 million to $600 million. This will be a staggering deficit, larger indeed than our total governmental expenditures during the depression years.

Whatever the total deficit may be, it will have to be met by borrowing except to the extent of cash on hand. We shall also have to raise funds to continue the repatriation programme which I have already described

If we assume that the amount on this account will be of the order of $200 million, we may conclude that our total cash requirements for the year will be roughly of the order of $750 million to $800 million. However, we began the year with cash in hand of approximately $187 million and as a result of the sale of war savings certificates and stamps we expect to raise during the balance of the year approximately $50 million. This would leave approximately $550 million to $600 million to be raised by the issue of new long-term loans. These are impressive sums but I know that they are not beyond the capacity of our markets to absorb under the conditions of expanding business and rising national income which I believe we have every reason to expect. I repeat, the limits of our war programme are not fiscal, but physical, mental and moral.

In the foregoing calculations I have, you will note, included in revenue only the yield of the new and increased taxes which we expect to be actually paid into the treasury before March 31st, namely, $110 million. But all our tax proposals relate to incomes, profits or transactions that will be earned or made during the current fiscal year. Not for the purpose of government accounting but in order to learn the answer to the question which I posed earlier this afternoon as to the relative reliance we intend to place on taxation and borrowing, it would be appropriate to take into account the total yield of our new or increased taxes, whether or not the proceeds will be actually received before the end of the fiscal year. On this basis we would add to the $650 million estimated as the probable total revenue from our existing tax structure during the year, the whole $280 million which is the expected yield of the new or increased taxes which I have proposed, making a total of $930 million instead of $760 million. This would mean that if our total war expenditures should amount to $900 million, the programme which we are proposing is designed to secure for such war expenditures from tax revenues the sum of $482 million (that is, the difference between the figure of $930 million I have just given and $448 million of anticipated government expenditures on non-war activities). As compared with this $482 million, there would be left a gap of $418 million to be financed by borrowing or by cash already in hand. I think the house will agree that a very serious effort is being made to carry the pay-as-you-go policy as far as is practicable. Of course, this comparison of the relative amounts to be provided by taxation and by borrowing will be less favourable if our war expenditures exceed $900 million.

[Mr. Ralston.]

It is natural, Mr. Speaker, that comparisons should be made between the new tax rates and rates previously levied, and such comparisons will reveal great increases, particularly in income taxes, corporation and personal. But there are some other considerations which should be remembered. In the first place, we have not, in the lower and middle brackets at least, come near to the levels of income tax imposed in the United Kingdom. In the second place, there is every likelihood that during the present fiscal year our national income may be expected to show a very substantial increase. The government will be pouring into the income stream many hundreds of millions of dollars, while much of the taxes payable under the measures we propose will not be withdrawn from incomes until late this year, or in some cases until next year. Thirdly, with rising incomes, taxes even of this degree of severity can be borne without deprivation, and their imposition at this time will avoid the necessity of still heavier increases in taxation in the days after the war when incomes may be falling.

Fourthly, to those who may have any fear of the effects of these taxes on business in this country, I say that businessmen and individuals alike must strain every nerve to meet the needs of this hour. The taxes herein imposed on business are heavy taxes, but for the most part they fall on profits, and the more we can find practical means of paying as we go, the more we will improve the long-run outlook for business as well as individual prosperity in this country.

The proposals, Mr. Speaker, which I have outlined are an attempt to help to meet the crisis in terms of taxation. They bear upon all classes in the community. If the taxation provisions are the most drastic which have ever been imposed upon this country, they are certainly no more drastic than the present hour and the present need demand. The future may well demand still more.

I ask those who think that they are too drastic to bring both their common sense and their idealism to the rescue of their opinions. Common sense will ask them what will become of their property or incomes if Germany and Italy should conquer the British empire. Idealism will teach them that money and material things are as nothing compared with the freedom and the dignity which it alone can bring as a benediction to the life of man.

At this time everything which we treasure and the survival of the things of the spirit and mind and soul which are the most precious of all, will depend upon the willingness and the capacity of men of our blood and kith and kin to endure and to die.

We who remember our fathers and know our sons have no cowardly doubts or weak misgivings.

I will not dishonour the word sacrifice by applying it to anything except the gift of life itself. But, knowing the Canadian people, I am confident that they will shrink from no contribution to insure to the soldiers and sailors and airmen of Britain and Canada all the machines and equipment which can be produced or procured.

The overwhelming majority of men and women of the sturdy races which make up Canadian citizenship are at their best in days of trial.

A farmer offers me the total proceeds of his four-hundred acre wheat crop, and all the increases of his live stock for Canada's war chest.

The wife of a small wage earner begs me to place a heavy income tax on her own small income.

A small industrial firm agrees to give all its profits for the duration of the war.

A veteran of 1914, with a disability pension of $47 a month as the sole income of a family of five, sends me all he has to give, a collection of old coins, and the caretaker of one of our militia armouries sends me $20 each month.

With such examples to challenge and inspire us, I cannot believe that any man in Canada will complain about his burden, or by greed, panic or selfish fear, betray his Canadian citizenship in the hour of Canada's need.

Britain is giving her blood, her treasure, her all. We proudly share her courage, her sacrifice and her unshakeable resolution. Britain will not fall. Freedom will not perish, and Canada will fail neither the commonwealth nor the cause.

RESOLUTIONS

Mr. Speaker, I beg to give notice that when we are in committee of ways and means I shall move the following resolutions:

INCOME WAR TAX ACT

Resolved, that it is expedient to amend the Income War Tax Act and to provide:—

1. That the rates of tax applicable to persons other than corporations shall be increased to the rates of tax set forth in the following schedule:

A.—Rates of Tax Applicable to Persons other than Corporations and Joint Stock Companies

On the first $250 of net income or any portion thereof in excess of exemptions 6 per centum or

$15 upon net income of $250; and 8 per cent upon the amount by which the income exceeds $250 and does not exceed $1,000 or

$75 upon net income of $1,000; and 12 per centum upon the amount by which the income exceeds $1,000 and does not exceed $2,000 or

$195 upon net income of $2,000; and 16 per centum upon the amount by which the income exceeds $2,000 and does not exceed $3,000 or

$355 upon net income of $3,000; and 20 per centum upon the amount by which the income exceeds $3,000 and does not exceed $4,000 or

$555 upon net income of $4,000; and 24 per centum upon the amount by which the income exceeds $4,000 and does not exceed $5,000 or

$795 upon net income of $5,000; and 27 per centum upon the amount by which the income exceeds $5,000 and does not exceed $6,000 or

$1,065 upon net income of $6,000; and 30 per centum upon the amount by which the income exceeds $6,000 and does not exceed $7,000 or

$1,365 upon net income of $7,000; and 33 per centum upon the amount by which the income exceeds $7,000 and does not exceed $8,000 or

$1,695 upon net income of $8,000; and 35 per centum upon the amount by which the income exceeds $8,000 and does not exceed $9,000 or

$2,045 upon net income of $9,000; and 37 per centum upon the amount by which the income exceeds $9,000 and does not exceed $10,000 or

$2,415 upon net income of $10,000; and 39 per centum upon the amount by which the income exceeds $10,000 and does not exceed $20,000 or

$6,315 upon net income of $20,000; and 41 per centum upon the amount by which the income exceeds $20,000 and does not exceed $30,000 or

$10,415 upon net income of $30,000; and 44 per centum upon the amount by which the income exceeds $30,000 and does not exceed $40,000 or

$14,815 upon net income of $40,000; and 47 per centum upon the amount by which the income exceeds $40,000 and does not exceed $50,000 or

$19,515 upon net income of $50,000; and 50 per centum upon the amount by which the income exceeds $50,000 and does not exceed $75,000 or

$32,015 upon net income of $75,000; and 53 per centum upon the amount by which the income exceeds $75,000 and does not exceed $100,000 or

$45,265 upon net income of $100,000; and 56 per centum upon the amount by which the income exceeds $100,000 and does not exceed $150,000 or

$73,265 upon net income of $150,000; and 59 per centum upon the amount by which the income exceeds $150,000 and does not exceed $200,000 or

$102,765 upon net income of $200,000; and 63 per centum upon the amount by which the income exceeds $200,000 and does not exceed $300,000 or

$165,765 upon net income of $300,000; and 67 per centum upon the amount by which the income exceeds $300,000 and does not exceed $400,000 or

$232,765 upon net income of $400,000; and 72 per centum upon the amount by which the income exceeds $400,000 and does not exceed $500,000 or

$304,765 upon net income of $500,000; and 78 per centum upon the amount by which the income exceeds $500,000.

2. That the additional rate of tax applicable to all persons other than corporations and joint stock companies in receipt of income in excess of $5,000 in the amount of five per centum, be repealed.

3. That the war surtax of twenty per centum as enacted by sections two, three and four of chapter 6 of the 1939 statutes (second session), be repealed.

4. That the statutory exemption of a married person and other persons with dependent relatives as set forth in paragraph (c) of subsection 1 of section five of the act be reduced from $2,000 to $1,500.

5. That the statutory exemptions of all other persons except corporations, be reduced from $1,000 to $750.

6. That a tax of five per centum be imposed upon Canadian residents with respect to all interest or dividends paid or payable by Canadian debtors in a currency which is at a premium in excess of five per centum in terms of Canadian funds.

7. (a) That the income accrued or earned during the life of any deceased person shall, when paid, be taxable income in the hands of his executors or trustees.

(b) That income received by executors or trustees and capitalized shall be taxable income of such executors or trustees.

8. (a) That the qualifications of personal corporations as set forth in the act shall be extended to include revenue derived from the hire of chattels or from charter party fees.

(b) That a company shall not be deemed to be a personal corporation if it carries on an active commercial or industrial business.

9. That as a means of insuring the collection of tax from non-resident transient persons who earn salary, fees, commissions or other remuneration in Canada, there shall be withheld an amount of fifteen per centum of such remuneration as a credit against the tax found due upon the filing of the income tax return of such person.

10. That the rate of tax applicable to rents and royalties payable to non-residents of Canada shall be on the gross amount thereof, and in the case of non-resident corporations the rate shall be fifteen per centum, and in the case of non-resident persons other than corporations the rate shall be five per centum, and the Canadian debtor shall withhold such tax before making payment to the non-resident.

11. That the rate of tax applicable to corporations shall be eighteen per centum (in the case of consolidated returns twenty per centum) on the profits of the year 1940, and in the case of fiscal periods ending in 1940 prior to December 31, the said rate shall apply to that proportion of the profits thereof which the number of days of the said fiscal period in the year 1940 bears to the total number of days of such fiscal period.

12. That the section of the act in respect of depreciation be amended to provide for the elimination of duplicate depreciation in respect of assets after their transference to persons who have substantially the same equity or interest in the said assets after their transfer as they had before the transfer.

13. That the distribution of otherwise tax free profits of a family corporation made after 31st December, 1942, shall render such profits so distributed liable to income tax.

14. That the act be amended to prevent evasion by giving power to the treasury board to direct that a taxpayer be assessed without regard to any transaction or reorganization which in the opinion of the treasury board, is of a specious character designed to avoid or minimize tax, whether any such transaction or reorganization was entered into with persons or corporations resident outside or within Canada.

15. That in order to prevent evasion the Minister of National Revenue (hereinafter called the minister) shall have power to determine what are reasonable disbursements for advertising, repairs, salaries and other operating and administrative expenses.

16. That the amount paid by proprietors of a business, other than a corporation, by virtue of the Excess Profits Tax Act shall be allowed as a deduction from their incomes for purposes of income tax in proportion to their interests in the said business.

17. (1) That the definition of income be clarified and extended to cover the amount of annuity payments made to life annuitants under purchased annuity contracts.

(2) That the exemption now accorded to dominion government annuities and like annuities sold by provincial governments and insurance companies shall not apply in respect of all contracts issued subsequent to June 24, 1940, nor to contracts or extensions of contracts made since that date to holders of options or contractual rights in existence at that date.

(3) That purchasers of annuities be entitled to deduct the annual amounts paid out by them in purchasing annuity contracts not to exceed $300 per year.

18. (1) That in addition to the income tax there be imposed a national defence tax on all persons in respect of their income,

(a) in the case of married persons, of two per centum on the total net income if the income exceeds $1,200 per year;

(b) in the case of single persons, of two per centum on the total net income if the income exceeds $600 and does not exceed $1,200 per year; or three per centum if the said income exceeds $1,200 per year.

Provided, however, that if the effect of such tax would be to reduce the income of any person below the relevant amount specified above, then to the extent it would so reduce the income the tax shall not be exigible;

Provided, further, that there shall be allowed a tax credit on an amount of $400 at a rate equal to two per centum in respect of each dependent child or grandchild, brother or sister of the taxpayer under twenty-one years of age, and each child, grandchild, brother, sister, parent, or grandparent over twenty-one years of age dependent on account of mental or physical infirmity and resident in Canada;

(2) That every employer be required to deduct the tax imposed in respect of earnings of the employee earned or accruing due during and after July, 1940;

(3) That every employer remit the tax collected at the source on the sixteenth day of September, 1940, and on the fifteenth day of each month thereafter;

(4) That incorporated companies paying interest on bonds or other like obligations registered as to interest, or paying dividends, irrespective of the amount, to persons on record in their office or that of their agents, be required to deduct and collect the taxes imposed from each payment made to residents of Canada, paid in the case of interest, and declared and paid in the case of dividends, after the twenty-fourth day of June, 1940;

(5) That each incorporated company remit the tax collected at the source in respect of interest and dividends on or before the fifteenth day of the month immediately following the date of payment, the first remittance however to be made on the sixteenth day of September, 1940;

(6) That every person liable to taxation in respect of whom the deduction of the national defence tax on the full income has not been made be required, on or before the thirtieth day of April in each year, to deliver to the minister a return of his total income during the preceding year and pay the tax as in the Income War Tax Act provided;

(7) That the national defence tax be applicable to the income of 1940 and all subsequent years except that in respect of the income of the year 1940 the tax shall be imposed only on one-half of the income if the income for the whole year exceeds the relevant amount specified in resolution No. 18(1);

(8) That the income of the following persons shall not, except as in this resolution provided, be liable to the national defence tax

(a) incorporated companies;

(b) persons and institutions mentioned in paragraphs (a) to (i) inclusive and in paragraphs (p) and (q) of section four of the Income War Tax Act;

(c) members of the Canadian naval, military and air forces shall be exempt from tax while such members are on active service beyond Canada or are on active service in Canada and whose duties are of such a character as are required normally to be performed afloat or in air craft, but only to the extent of their service pay and allowances.

19. That the resolutions numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 14, 15, 16, 17 and 18 hereof shall be applicable to the income of the 1940 taxation period and fiscal periods ending therein and of all subsequent periods.

20. That the resolution numbered 10 hereof be applicable to payments made after the 24th June, 1940.

EXCESS PROFITS TAX ACT

Resolved, that it is expedient to reenact the Excess Profits Tax Act and to provide:

1. That the option of using rates "A" be deleted, and that the excess profits be the difference between the profits of the year of taxation and the profits of the standard or base period.

2. That the standard profits be determined with reference to the average profits of the standard or base period being the years, 1936, 1937, 1938 and 1939, except as provided in resolution 5 hereof.

3. That the rate of tax on the excess profits be increased from fifty per centum to seventy-five per centum.

4. That on all profits a minimum tax be paid by every taxpayer under the Excess Profits Tax Act, such minimum to be a tax of twelve per centum on the total profits of the business before deducting income tax, and to be payable in all cases unless the tax provided in resolution 3 hereof is greater than the said minimum tax, in which case only the greater shall be paid.

5. That a board of referees (hereinafter called the board) be established with discretionary power, subject to the approval of the Minister of National Revenue (hereinafter called the minister), to ascertain a standard of profits for new businesses or businesses depressed during the standard period subject to the following:

(a) in the case of a business depressed during the standard period the minister may direct that the board ascertain a standard of profits at an amount which they think just, being a return of not less than five nor more than ten per centum of the capital employed;

(b) in the case of a new business other than that of the operation of a gold mine or an oil well, if it has been commenced since January 1st, 1938, the minister may direct that the board ascertain a standard of profits at an amount which they think just, provided that the said amount represents a rate of return on the capital employed by the taxpayer equal to the average rate of return of taxpayers in similar circumstances engaged in the same or analogous classes of business;

(c) in the case of a taxpayer engaged in the operation of a gold mine or an oil well which has come into production since January 1st, 1938, the minister may direct that the board ascertain a standard of profits at such an amount which they think just on the basis of a presumed volume of production during the standard period equal to the volume of production in the taxation year and a presumed selling price for the product during the standard period equal to the average selling price of the said product during the standard period.

6. That the minister may adjust the standard profits so as to ensure the comparison of like with like in the following cases:

(a) where the accounting period in the taxation year is longer or shorter than the standard accounting period;

(b) where the capital employed in the taxation year has been substantially increased or decreased over that of the standard period by the contribution or withdrawal of capital;

(c) in the case of gold mines and oil wells where the volume of production in the taxation year has been substantially increased or decreased over that of the standard period.

7. That there be exempted from the tax imposed under the said act:

(a) small businesses where the profits before any salary or drawings by proprietors or shareholders do not exceed five thousand dollars per annum;

(b) personal corporations which act solely as investment-holding agencies of individual Canadian taxpayers;

(c) non-resident-owned investment corporations.

8. That sole proprietorships or partnerships be allowed to claim as a deduction such reasonable amount for salaries paid to the proprietor, or partners as the minister may determine, not to exceed five thousand dollars per year for each.

9. That in the case of a taxpayer who acquired a business as a going concern since January 1st, 1938, the minister may direct that the standard profits of the predecessor may be added to those of the taxpayer if the minister is satisfied that the trade or business of the predecessor and the taxpayer is not substantially different.

10. That the definition of average profits during the standard period be revised to provide that only the profits of the standard period shall be taken into account when determining the average of the years during the standard period when the taxpayer was in business.

11. That, in order to prevent evasion, power be given the minister to:

(a) disallow the deduction of disbursements by the taxpayer which the minister in his discretion may determine to be in excess of what is reasonable and normal for the business;

(b) assess without regard to specious transactions or reorganizations which the treasury board has found to have no reasonable business purpose other than that of avoidance or minimization of taxation.

12. That capital be redefined having regard to the cost price of the assets presently employed by the taxpayer less depreciation or depletion thereof, and deducting borrowed money and debts, with a proviso that non-productive

assets, assets not actually employed in the production of profits, and assets producing tax-exempt income, shall not be included.

13. That there be allowed a tax credit in respect of the amount of excess profits tax or similar tax paid to the government of the United Kingdom or to the governments of other members of the British commonwealth of nations or to the governments of allies of the United Kingdom, if such governments allow a reciprocal credit for Canadian-paid excess profits tax.

14. That the act shall apply to the profits of the year 1940, and in the case of a fiscal period ending in 1940 prior to December 31, that the act shall apply to that proportion of the profits thereof which the number of days of the said fiscal period in the year 1940 bears to the total number of days of such fiscal period.

SPECIAL WAR REVENUE ACT

Resolved, that it is expedient to introduce a measure to amend The Special War Revenue Act, and the amendments thereto and to provide,

1. That section seventy-six of the said act be repealed and the following substituted therefor:—

"76. (1) Except as hereinafter provided, every manufacturer and every importer of matches shall affix to every package of matches manufactured by him or imported into Canada, an adhesive or other stamp of the value of one cent for each one hundred matches or fraction of one hundred matches contained in such package.

(2) When matches are put up in packages containing not more than fifty matches and not less than thirty-one matches each, the tax shall be payable at the rate of one-half of one cent for each package, and when matches are put up in packages containing not more than thirty and not less than twenty-six matches each, the tax shall be payable at the rate of three-tenths of one cent for each package, and when matches are put up in packages containing not more than twenty-five and not less than twenty-one matches each, the tax shall be payable at the rate of one-fourth of one cent for each package and when matches are put up in packages containing less than twenty-one matches each, the tax shall be payable at the rate of one-fifth of one cent per package.

(3) No manufacturer or importer shall sell or import matches unless they are in packages."

2. That subsection one of section seventy-seven A of the said act be amended by providing that the excise tax on packets of cigarette papers be increased from two cents to five cents for each one hundred leaves or fraction thereof contained in such packet.

3. That subsection two of section seventy-seven A of the said act be amended by providing that the excise tax on packages of cigarette paper tubes be increased from two cents to five cents for each one hundred cigarette paper tubes or fraction thereof contained in each such package.

4. That subsection four of section eighty-six of the said act be amended by increasing the tax from eight per cent to twelve per cent upon the current market value of all furs dressed and/or dyed in Canada.

[Mr. Ralston.]

5. That the said act be amended by adding thereto after section eighty-eight the following section:

"88A. (1) In addition to any duty or tax that may be payable under this Act, or any other statute, there shall be imposed, levied and collected a war exchange tax of ten per cent on the value for duty of all goods imported into Canada, payable by the importer or transferee who takes the goods out of bond for consumption at the time when the goods are imported or taken out of warehouse for consumption.

(2) The tax imposed by this section shall not apply to any goods imported into Canada,—

(a) which are entitled to entry under the British preferential tariff, or under trade agreements between Canada and other British countries;

(b) Which are entitled to entry under Customs Tariff items 360, 460, 690, 690a, 696a, 700, 700a, 701, 702, 703a, 704, 705, 705a, 706, 707, 708, 709; or to fish caught by fishermen in vessels registered in Canada or owned by any person domiciled in Canada and the products thereof carried from the fisheries in such vessels.

(3) Where the Wartime Prices and Trade Board reports to the government in council that any producer or producers of goods have taken advantage of the tax imposed by this section to increase the price of such goods by an amount greater than is justified by any increases properly arising from such tax in the cost of materials or parts entering into the production of such goods or to maintain prices of such goods at levels greater than are so justified, the Governor in Council may, upon the recommendation of the said Board, impose upon all or any of the products of any such producer an excise tax at a rate not to exceed ten per cent of the selling price of such products for such period of time as he may determine, remove or reduce customs duties applicable thereto for such period of time as he may determine, fix the prices thereof and/or take such other measures and impose such penalties as he may determine."

6. That the provisions of section eighty of the said act levying taxes on articles manufactured or produced in Canada enumerated in schedules I and II to the said act be amended to provide that the taxes mentioned therein shall apply at the time of delivery.

7. That schedule I to the said act be amended by repealing section one thereof and substituting therefor the following:—

"1. (a) Automobiles adapted or adaptable for passenger use, with seating capacity for not more than ten persons each, valued at

$700 or less	10 per cent.
Over $700 but not more than $900	10 per cent on $700 plus 20 per cent on the amount in excess of $700.
Over $900 but not more than $1,200	10 per cent on $700 plus 20 per cent on $200 plus 40 per cent on the amount in excess of $900.
Over $1,200	10 per cent on $700 plus 20 per cent on $200 plus 40 per cent on $300 plus 80 per cent on the amount in excess of $1,200.

(b) Automobiles adapted or adaptable for passenger use with seating capacity for more than ten persons.....5 per centum

Provided that the tax collected under paragraph (b) above shall in no case exceed $250 per automobile;

Provided further that the tax on automobiles shall apply on the total price charged for such automobiles, which price shall include all charges for accessories, optional equipment, servicing, financing, warranty or any other charge contracted for at time of sale, whether charged for separately or not, but not to include heaters or radios;

Provided further that the tax on automobiles shall apply to any such vehicles in transit to dealers or others;

Provided that if a new and unused automobile is on the twenty-fifth day of June one thousand nine hundred and forty in the hands of a dealer and not delivered to another purchaser the tax shall be paid by such dealer when such automobile is delivered.

Provided further that the tax shall not apply to automobiles imported:—

(i) Under customs tariff items 702, 706, 707 and 708;

(ii) by a bona fide settler on a first arrival;

(iii) by a beneficiary resident in Canada, under the terms of a will of a person dying in a foreign country."

8. That schedule I to the said act be further amended by adding at the end thereof the following section:—

"5. Cameras, phonographs, radios and radio tubes.....10 per centum"

9. That schedule II to the said act be amended by repealing section one thereof and substituting therefor the following:—

"Cigars:—

(a) Valued at not more than forty dollars per thousand, per thousand.....$1

(b) Valued at more than forty dollars per thousand and not more than one hundred and ten dollars per thousand, per thousand.....$6

(c) Valued at more than one hundred and ten dollars per thousand and not more than one hundred and fifty dollars per thousand, per thousand $14

(d) Valued at more than one hundred and fifty dollars per thousand and not more than two hundred dollars per thousand, per thousand $20

(e) Valued at more than two hundred dollars per thousand, per thousand.....$32

Provided that the value on imported cigars shall be the duty paid value as defined in section seventy-nine of this act; the value on cigars manufactured in Canada shall include the amount of excise duty payable thereon."

10. That schedule II to the said act be further amended by repealing section three thereof and substituting therefor the following:—

"Tires and tubes:—

(a) Tires in whole or in part of rubber for automotive vehicles of all kinds, including trailers or other wheeled attachments used in connection with any of the said vehicles.....5 cents per pound

(b) Inner tubes for use in any such tires.....5 cents per pound

Provided the tax hereby imposed shall not apply to the goods mentioned herein when used exclusively for the original equipment of such automotive vehicles."

11. That schedule II to the said act be further amended by repealing section four thereof and substituting the following:—

"4. Carbonic acid gas and similar preparations to be used for aerating non-alcoholic beverages.....5 cents per pound."

12. That schedule III to the said act be amended by striking out under the heading of "Farm and Forest," in the eighth and ninth lines the following words:

"farm produce sold by the individual farmer of his own production,"

and substituting therefor the following words:

"farm produce sold by the individual farmer of his own production, not to include canned fruits or vegetables when produced in excess of 10,000 cans of one pound each or their equivalent, per annum, nor flowers, flowering plants or bulbs, when the sales thereof exceed $500 per annum."

13. That any enactment founded on this resolution shall be deemed to have come into force on the twenty-fifth day of June, one thousand nine hundred and forty, and to have applied on all goods imported or taken out of warehouse for consumption on and after that day and to have applied to goods previously imported for which no entry for consumption was made before that day.

EXCISE ACT

Resolved, that it is expedient to introduce a measure to amend the Schedule to the Excise Act, 1934, and to provide:—

1. That the duty of excise on malt syrup as defined by paragraph (c) of section six of the Excise Act, 1934, when imported into Canada and entered for consumption be increased from twenty-one cents per pound to twenty-five cents per pound.

2. That the duty of excise on tobacco of all descriptions manufactured in Canada, except cigarettes, be increased from twenty-five cents per pound to thirty-five cents per pound actual weight.

3. That the duty of excise on cigarettes manufactured in Canada which was formerly $5 per thousand when weighing not more than three pounds per thousand be increased to $6 per thousand when weighing not more than two and one-half pounds per thousand.

4. That the duty of excise on cigarettes manufactured in Canada which was formerly $11 per thousand when weighing more than three pounds per thousand shall now apply to cigarettes weighing more than two and one-half pounds per thousand.

5. That a duty of excise of ten cents per pound actual weight apply on all Canadian raw leaf tobacco when sold for consumption.

6. That any enactment founded on paragraphs one, two, three and four of this resolution shall be deemed to have come into force on the twenty-fifth day of June, one thousand nine hundred and forty, and to have applied to all

goods mentioned therein imported or taken out of warehouse for consumption on and after that day and to have applied to goods previously imported for consumption for which no entry for consumption was made before that day.

7. That any enactment founded on paragraph five of this resolution shall come into force on the first day of August, one thousand nine hundred and forty.

CUSTOMS TARIFF

1. Resolved, that schedule A to the customs tariff, being chapter forty-four of the revised statutes of Canada, 1927, as amended by chapter seventeen of the statutes of 1928, chapter thirty-nine of the statutes of 1929, chapter thirteen of the statutes of 1930 (first session), chapter three of the statutes of 1930 (second session), chapter thirty of the statutes of 1931, chapter forty-one of the statutes of 1932, chapters six and thirty-seven of the statutes of 1932-33, chapters thirty-two and forty-nine of the statutes of 1934, chapter twenty-eight of the statutes of 1935, chapter thirty-one of the statutes of 1936, chapter twenty-six of the statutes of 1937, chapter forty-one of the statutes of 1939 (first session) and chapter two of the statutes of 1939 (second session), be further amended by striking thereout tariff items 209b, 210, 210e, 281a, 281b, sub-division (a) of item 429, 440l, 440m, 440n, 445o, 445p, 505, 505b, 791 and 825, the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said schedule A:

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					British Preferential Tariff	Intermediate Tariff	General Tariff
208x	Materials, including all parts, entering into the cost of cyanide of potassium and cyanide of sodium, when imported by manufacturers of cyanide of potassium and cyanide of sodium for use in their own factories.	Free	Free	Free	Various	Various (subject to 99 p.c. drawback)	Various
209b	Nicotine; salts of nicotine; non-alcoholic preparations containing nicotine in a free or combined state, for dipping, spraying or fumigating, n.o.p.	Free	Free	10 p.c.	Free	Free	10 p.c.
210	Peroxide of soda; silicate of soda in crystals or in solution; bichromate of soda; sulphide of sodium; nitrite of soda; arseniate, binarseniate, chlorate, bisulphite and stannate of soda; prussiate of soda and sulphite of soda	Free	15 p.c.	20 p.c.	Free	15 p.c.	20 p.c.
210e	Nitrate of soda or cubic nitre	Free	Free	Free	Free Free	Free 15 p.c.	Free 20 p.c.
281a	Fire brick, n.o.p., of a class or kind not made in Canada, for use exclusively in the construction or repair of a furnace, kiln, or other equipment of a manufacturing establishment	Free	Free	15 p.c.	Free	12½ p.c. (In part subject to 99 p.c. drawback)	15 p.c.
281b	Fire brick, n.o.p.	5 p.c.	15 p.c.	22½ p.c.	7½ p.c. (in part subject	20 p.c. to 99 p.c. drawback.)	22½ p.c.
429	Cutlery of iron or steel, plated or not: (a) Knife blades or blanks, and table forks, of iron or steel, in the rough, not handled, ground nor otherwise manufactured; spoon blanks of iron or steel, in the flat, not further manufactured than stamped to shape; blanks, of iron or steel, for scissors and shears, in the rough, not ground nor otherwise manufactured	Free	7½ p.c.	10 p.c.	Free 17½ p.c.	7½ p.c. 27½ p.c.	10 p.c. 30 p.c.
440l	Aircraft and complete parts thereof, n.o.p., not including engines, under regulations prescribed by the Minister	Free	25 p.c.	27½ p.c.	Free	25 p.c.	27½ p.c.
440m	(i) Unfinished parts of aircraft, n.o.p., not including parts of aircraft engines	Free	15 p.c.	27½ p.c.	15 p.c. 10 p.c. 15 p.c. 20 p.c.	25 p.c. 27½ p.c. 30 p.c. 27½ p.c.	27½ p.c. 35 p.c. 30 p.c. 30 p.

Tariff Item	——	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					British Preferential Tariff	Intermediate Tariff	General Tariff
440m	(ii) Direct or inertia starters with or without related operating gear and parts thereof; generators; voltage control boxes; batteries; de-icing and anti-icing equipment and parts thereof, not including parts of rubber; vacuum pumps with related operating gear and parts thereof; landing and navigation lights; propellers; hydraulic jacks and pumps and parts thereof; aircraft wheels; aircraft brakes with related operating gear; aircraft tires and tubes; oil coolers; fuel pressure warning devices; exhaust gas analysers; pressure fire extinguishers; primer pumps; instruments excepting fuel contents gauges; bolts, nuts, cocks, turnbuckles, clevis and pins, swaged wires and tie rods; bars, tubes, extrusions and forgings of aluminum, aluminum alloys and magnesium alloys; steel tubing; all of the foregoing when of types and sizes not made in Canada and imported by manufacturers of aircraft for use exclusively in the manufacture in their own factories of the goods enumerated in tariff item 440l, under such regulations as the Minister may prescribe, provided that not less than sixty per centum of the factory cost of production of the aircraft is incurred in the British Empire.	Free	Free	27½ p.c.	Free	25 p.c.	27½ p.c.
440n	Engines, when imported for use only in the equipment of aircraft	Free	25 p.c.	27½ p.c.	Free	25 p.c.	27½ p.c.
440o	(i) Carburettors, magnetos, distributors, coils and spark plugs and complete parts thereof; all of the foregoing when of a class or kind not made in Canada when imported for use in aircraft engines.	Free	Free	27½ p.c.	Free Free	25 p.c. 12½ p.c. (subject to drawback)	27½ p.c. 15 p.c.
	(ii) Parts, finished or not, n.o.p., for aircraft engines..	Free	7½ p.c.	27½ p.c.	Free Various	25 p.c. Various (subject to drawback)	27½ p.c. Various
445o	Acid-free capacitor tissue and paper, plain and gummed; metal cans, extruded, plated or unplated; automatic record changers; parts for pickups; bias cells and holders; frames, yokes, brackets, pole-pieces, gaskets and field covers, separate or assembled for use in speakers with mounting diameter not exceeding 6⅜ inches; cones, spiders, spider sus-						

	pensions, voice coils and voice coil dust covers, separate or assembled; magnetic structures and parts thereof for permanent magnet speakers; glass dial crystals and scales and metal dials or scales made by the silk-screen process; metal cabinet escutcheons without crystals, plain or finished; high frequency circuit switches and essential components thereof; high frequency iron cores with or without inserts moulded therein; motors and gears for automatic tuning; radio frequency ceramics; raw low loss mica; sheets and punchings of low loss mica; tube shields and parts thereof; vibrators; vulcanized fibre in sheets, rods, strips or tubing; high frequency coil forms and tubing having an outside diameter not exceeding one inch; for use in the manufacture or the repair of the goods enumerated in tariff items 445d, 597a, and other apparatus using radio tubes, or for use in the manufacture of parts therefor.....	Free	Free	30 p.c.	{Free. {Free	Free 25 p.c.	30 p.c. 30 p.c.
445p	Ceramic parts; copper alloys for welding; getter and getter assemblies; glass parts; metal bulbs and shells and metal headers; mica parts; mica assemblies; wire snubbers, clips and straps; wire of molybdenum and molybdenum alloy; nickel and nickel alloy tubing, wire, ribbon, screen and strip, coated or not, carbonized or not; metal cathodes; nickel, nickel alloy and nickel plated parts, coated or not, carbonized or not; tungsten and tungsten alloy and zinc wire; leads, spuds and welds; iron parts designed for sealing to glass; hooks and supports; base pins; wire and strip of silver copper, chrome copper, chrome iron or plated iron; top cap assemblies; graphite anodes; heaters and filaments; all the foregoing when imported by manufacturers of radio tubes and parts therefor, for use exclusively in the manufacture of such articles, in their own factories.....	Free	Free	30 p.c.	{Free {Free	Free 25 p.c.	30 p.c. 30 p.c.
505	Planks, boards, deals and other lumber of wood, not further manufactured than planed, dressed, jointed, tongued or grooved, n.o.p.....	10 p.c.	10 p.c.	25 p.c.	{17½ p.c. {10 p.c.	22½ p.c. 10 p.c.	25 p.c. 20 p.c.
791	Materials of all kinds for use only in producing or manufacturing preparations provided for in tariff items 209b and 219a, under regulations prescribed by the Minister of National Revenue.....	Free	Free	Free	{Free {Various	Free Various	Free Various
825	Woven cord tire fabric, wholly or in chief part by weight of artificial silk or similar synthetic fibres, not to contain silk nor wool, coated with a rubber composition, when imported prior to July 1st, 1941, by manufacturers of rubber, to be incorporated by them in pneumatic tires, in their own factories.....	Free	15 p.c.	25 p.c.	Free	15 p.c.	25 p.c.

2. Resolved, that schedule A to the Customs Tariff, as amended, be further amended by deleting from The Customs Tariff Amendment Act, 1939, being chapter two of the statutes of 1939 (second session), the following enumerations of goods and rates of additional duties of customs:

"Manufactured tobacco of all descriptions except cigars, cigarettes and snuff—5 cents per pound.

Cigarettes weighing not more than three pounds per thousand—$1 per thousand.

Tea, when the value for duty thereof under the provisions of the Customs Act:

(a) is less than 35 cents per pound—5 cents per pound.
(b) is 35 cents or more but less than 45 cents per pound—7½ cents per pound.
(c) is 45 cents or more per pound—10 cents per pound."

and by substituting therefor the following enumerations of goods and rates of additional duties of customs:

"Manufactured tobacco of all descriptions except cigars, cigarettes and snuff—15 cents per pound.

Cigarettes weighing not more than three pounds per thousand—$2 per thousand.

Tea, when the value for duty thereof under the provisions of the Customs Act:

(a) is less than 22½ cents per pound—5 cents per pound.
(b) is 22½ cents or more but less than 30 cents per pound—7½ cents per pound.
(c) is 30 cents or more per pound—10 cents per pound."

3. Resolved, that schedule B to the Customs Tariff be amended by striking thereout tariff items 1042, 1044 and 1063.

4. Resolved, that any enactment founded upon the foregoing resolutions to amend the Customs Tariff or schedules thereto shall be deemed to have come into force on the twenty-fifth day of June, nineteen hundred and forty, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

APPENDIX TO THE BUDGET, 1940-41

A. Review of Government Accounts, 1939-40.

B. Review of Economic and Financial Conditions, 1939-40.

A. Government Accounts, 1939-40

Comparative Summary Statement of Revenues and Expenditures

1. As the final figures for the fiscal year 1939-40 are not as yet available, all statements dealing with revenues, expenditures, investments and balance sheet items are estimated. It is expected that when the books of the year are finally closed, any variations from the figures shown herein will be of slight importance.

2. The following tables show, by main categories and in detail, revenues, expenditures and the increase in net debt for the fiscal year 1939-40, together with comparable figures for the four preceding fiscal years:

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS

(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
Tax Revenues—					
Customs import duties	74,004	83,771	93,456	78,751	104,301
Excise duties	44,410	45,957	52,037	51,314	61,032
War tax revenues—					
Banks	1,281	1,210	1,107	1,014	949
Insurance companies	761	775	867	891	926
Income tax	82,710	102,365	120,366	142,026	134,449
Sales tax	77,552	112,832	138,055	122,139	137,446
Manufacturers', importations, stamps, transportation taxes, etc	35,181	39,641	42,764	39,572	28,582
Tax on gold	1,413	—	—	—	—
Total revenue from taxes	317,312	386,551	448,652	435,707	467,685
Non-tax Revenues—					
Canada Grain Act	1,213	1,192	680	1,156	1,711
Canada Gazette	49	48	47	49	55
Canals	890	1,004	1,866	723	762
Casual	4,636	6,276	6,597	7,440	9,373
Chinese revenue	6	7	2	2	2
Electricity	542	646	692	726	715
Fines and forfeitures	295	134	209	211	88
Fisheries	42	56	60	52	54
Gas inspection	91	93	88	84	81
Insurance inspection	147	152	162	172	179
Interest on investments	10,614	11,231	13,120	13,163	13,394
Lands, Parks and Forests	458	478	541	681	677
Marine	222	263	336	377	349
Mariners' fund	187	205	206	211	278
Military college	20	20	20	20	14
Militia pensions revenue	178	187	194	209	233
Ordnance lands	16	15	16	20	18
Patent and copyright fees	455	464	452	442	416
Penitentiaries	68	62	63	82	137
Post Office	32,508	34,275	35,546	35,288	36,729
Premium, discount and exchange	36	—	27	478	7,940
Public Works	251	274	318	297	306
Radio Licences	1,574	(1) 990	—	—	—
R.C.M.P. officers' pensions	11	10	11	11	11
Weights and measures	401	396	393	416	411
Total non-tax revenue	54,910	58,478	61,646	62,310	73,933
Total ordinary revenues	372,222	445,029	510,298	498,017	541,618
Special Receipts—					
Sundry receipts	320	(2) 8,464	3,010	1,256	164
Other credits—					
Refunds on capital account	27	616	1,543	40	21
Credits to non-active accounts	27	45	819	2,858	20,292
Net credit resulting from various adjustments in Railway accounts authorized by Canadian National Railways Capital Revision Act, 1937	—	—	1,023	—	—
Total Special Receipts and Credits	374	9,125	6,395	4,154	20,477
Grand Total Revenue	372,596	454,154	516,693	502,171	562,095

(1) As from November 1936, radio licence fees have been deposited to credit of The Canadian Broadcasting Corporation.

(2) Includes $8,000,000 from Canadian Wheat Board taken into the accounts as an offset, in part, to the disbursements in 1935-36 *re* losses on 1930 wheat pool and stabilization operations.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS

(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
ORDINARY EXPENDITURE					
Agriculture	9,399	8,741	9,017	9,527	11,817
Auditor General's Office	429	423	463	473	459
Civil Service Commission	259	305	358	379	398
External Affairs, including Office of Prime Minister	1,290	1,341	1,450	1,057	1,228
Finance—					
Interest on Public Debt	134,549	137,410	132,118	127,996	129,315
Cost of Loan Flotations and Annual Amortization of Bond Discounts and Commissions	3,577	3,839	4,555	4,914	4,992
Premium, Discount and Exchange (net)	—	400	—	—	—
Subsidies to Provinces	13,769	13,735	13,735	13,752	13,769
Special Grants to Provinces	3,975	3,225	7,475	7,475	5,475
Other Grants and Contributions	736	540	560	643	660
Civil Pensions and Superannuation	854	787	712	638	574
Government contribution to Superannuation Fund	1,875	2,019	2,065	2,220	2,271
Old Age Pensions, including pensions to blind persons commencing in 1937-38	16,764	21,149	28,653	29,044	29,977
General Expenditure	3,654	3,498	3,573	3,689	3,959
Fisheries	1,710	1,691	1,850	2,036	2,320
Governor General and Lieutenant Governors	219	224	225	226	227
Insurance	163	172	187	194	195
Justice	2,748	2,773	2,790	2,748	2,725
Penitentiaries	2,377	2,372	2,577	2,675	2,941
Labour	660	720	706	788	788
Technical Education	99	76	49	27	31
Government Annuities—					
Payments to maintain reserve	272	541	8,941	—	—
Legislation—					
House of Commons	1,486	1,760	1,516	1,800	1,286
Library of Parliament	76	75	79	72	76
Senate	491	587	536	600	432
General	55	73	57	75	68
Dominion Franchise Office	498	53	76	50	—
Chief Electoral Officer, including elections	1,089	72	45	114	458
Mines and Resources—					
Administration	—	—	(1) 1,491	(1) 184	(1) 180
Immigration and Colonization	1,322	1,313	1,163	1,335	1,338
Indian Affairs	4,869	4,904	4,897	5,305	5,579
Interior	2,939	2,887	—	—	—
Lands, Parks and Forests	—	—	1,910	2,249	2,117
Surveys and Engineering	—	—	933	1,325	1,406
Mines and Geological Survey	1,040	1,135	658	1,340	1,325
Movement of Coal and Subsidies under Domestic Fuel Act	2,103	2,277	2,521	1,921	4,532
National Defence—					
Administration	—	—	—	(2) 409	(2) 166
Militia Service	10,141	11,346	17,221	15,772	5,995
Naval Service	2,380	4,763	4,372	6,590	1,869
Air Service	3,777	5,822	10,018	11,216	4,852
Sundry Services	879	992	1,149	447	310
National Revenue (including Income Tax)	10,963	11,205	11,870	11,899	12,064
Pensions and National Health—					
Administration	—	—	—	(2) 118	(2) 126
Treatment and after-care of returned soldiers	11,060	11,579	12,109	13,453	14,778
Pensions, War and Military	42,790	42,801	42,240	42,181	42,217
Health Division	993	873	957	1,012	1,113

(1) Prior to 1937-38 general administration expenses were not segregated from other expenditures of the respective services of the departments which were amalgamated to form the Department of Mines and Resources. The figures from 1938-39 represent only Departmental Administration, other administration costs being included as in other departments, under the respective services.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—*Continued*

(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
ORDINARY EXPENDITURE—*Concluded*					
Post Office	31,438	31,906	33,762	35,456	36,727
Privy Council	46	45	48	49	59
Public Archives	165	160	170	159	149
Public Printing and Stationery	169	169	161	191	199
Public Works	12,945	14,519	12,382	15,484	13,066
Royal Canadian Mounted Police	6,165	5,901	6,308	6,145	5,667
Secretary of State	705	655	693	730	836
Soldier Settlement	762	806	801	758	621
Trade and Commerce	3,458	5,523	4,070	4,763	4,950
Canada Grain Act	1,848	1,739	1,675	1,847	1,983
Mail Subsidies and Steamship Subventions	2,426	2,120	2,029	1,993	1,907
Transport—					
Administration	—	—	(2) 417	(2) 371	(2) 364
Air Service	—	—	(2) 2,935	(2) 3,457	(2) 3,862
Marine Service	5,857	5,614	4,290	4,271	4,215
Canadian Radio Commission	1,500	878	—	—	—
Canadian Travel Bureau	248	250	250	249	312
Railways and Canals	4,002	3,769	3,661	4,371	3,756
Maritime Freight Rates Act	2,348	2,506	3,183	2,583	2,660
Railway Grade Crossing Fund	128	54	180	187	255
Total ordinary expenditure	372,539	387,112	414,892	413,032	397,996
CAPITAL EXPENDITURE					
Canals	458	52	—	—	—
Railways	287	203	71	26	23
Public Works	5,799	3,237	4,359	5,398	7,006
Total capital expenditure	6,544	3,492	4,430	5,424	7,029
SPECIAL EXPENDITURE					
Unemployment Relief Act, 1930	26	—	—	—	—
Unemployment Relief Act, 1931	26	—	—	—	—
Unemployment Relief Act, 1932	111	—	—	—	—
Unemployment Relief Act, 1933	494	—	—	—	—
Unemployment Relief Act, 1934	1,152	—	—	—	—
Unemployment Relief Act, 1935	48,027	—	—	—	—
Administration—Relief Acts	—	194	378	260	287
Grants-in-aid to Provinces	—	28,930	19,493	17,037	—
Material Aid to Provinces, including municipal improvements projects	—	—	—	—	19,534
Dominion share of joint Dominion-Provincial projects	—	12,692	8,841	6,259	7,147
Dominion Projects	—	23,554	13,913	12,981	24,919
Transportation facilities into mining areas	—	1,221	1,324	1,213	1,121
Railway Maintenance Relief Work	—	2,662	—	—	—
	49,836	69,253	43,949	37,750	53,008
Western Drought Area Relief—					
Direct Relief	—	5,144	11,925	8,869	1,605
Feed and fodder and freight thereon	—	3,517	11,352		
Freight charges on movement of cattle	—	90	—	—	—
Expenses of marketing cattle	—	—	337	—	—
Purchase and distribution of food stuffs	—	—	972	277	—
Prairie Farm Assistance Act, 1939—					
Net Expenditure	—	—	—	—	7,500
	—	8,751	24,586	9,146	9,105

(2) Prior to 1937-38 in the case of the Department of Transport and prior to 1938-39 in the case of National Defence and Pensions and National Health general administration expenses were not segregated from other expenditure of the respective services of the departments.

(3) Prior to 1937-38 expenditures on civil aviation, now the Air Service Branch of the Department of Transport, were included under expenditures for the Air Service Branch of the Department of National Defence.

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STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—*Continued*

(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
SPECIAL EXPENDITURE—*Concluded*					
Public Works Construction Acts	29,581	—	—	—	—
1930 Wheat Crop Equalization Payments Act	6,600	—	—	—	—
Loss on 1930 Wheat Pool and stabilization operations—					
Payment to Canadian Wheat Board of net liability assumed as at Dec. 2, 1935	15,856	—	—	—	—
Loss on 1930 oats pool under guarantee of bank advances to Canadian Co-operative Wheat Producers, Limited	174	—	—	—	—
Provision for reserve against estimated losses on 1938 wheat marketing guarantees	—	—	—	25,000	27,000
	52,211	—	—	25,000	27,000
War Expenditure	—	—	—	—	118,340
Total special expenditure	102,047	78,004	68,535	71,896	207,453
GOVERNMENT OWNED ENTERPRISES					
Losses charged to Consolidated Fund—					
Canadian National Railway System, ex-eastern lines	41,796	37,449	37,882	48,194	34,851
Eastern Lines	5,625	5,854	4,464	6,120	5,245
Prince Edward Island Car Ferry and Terminals	—	—	—	(1) 388	427
Canadian National Steamships	270	—	—	—	—
National Harbours Board	1,126	250	289	138	94
Trans-Canada Air Lines	—	—	111	818	412
Central Mortgage Bank	—	—	—	—	16
Total charged to consolidated fund	48,817	43,553	42,746	55,658	41,045
Loans and advances non-active—					
Canadian National Steamships	(Cr.) 333	(Cr.) 1,754	104	6	8
National Harbours Board	2,456	2,419	1,983	3,279	1,027
Total non-active advances	2,123	665	2,087	3,285	1,035
Total government-owned enterprises	50,940	44,218	44,833	58,943	42,080
OTHER CHARGES					
Write-down of assets chargeable to Consolidated Fund—					
Drought Area Relief Loans, 1934-35—Province of Saskatchewan	—	—	—	—	1,374
Reduction in soldier and general land settlement loans	488	628	750	1,023	1,643
Yearly established losses in seed grain and relief accounts—Department of Mines and Resources	27	44	14	18	10
Canadian National Railways Securities Trust Stock—Reduction due to line abandonments during calendar years 1938 and 1939	—	—	(2) —	2,713	2,600
Cancellation of Canadian Farm Loan Board—Capital Stock	—	20	10	14	11
Province of Manitoba Treasury Bills	—	—	(4) 805	—	—
Province of Saskatchewan Treasury Bills	—	—	—	—	(4) 17,682

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
Non-active Accounts—					
General Land Settlement Loans	—	—	139	—	—
Active assets transferred to non-active	—	(2) 18,487	—	—	—
Fulfilment of guarantees—					
The Saskatchewan Seed Grain Loans Guarantee Act, 1936	—	—	—	—	2,638
Total other charges	515	19,179	1,718	3,768	25,958
Grand total expenditures	532,585	532,005	534,408	553,063	680,516

(1) Included with Eastern lines in previous years.
(2) An amount of $711,000 representing line abandonments during the calendar year 1937 was included in the adjustments resulting from the Canadian National Railways Capital Revision Act, 1937.
(3) Dominion contribution to Voluntary Debt Adjustment Program effected in Provinces of Manitoba and Saskatchewan respecting Drought Area Relief that was financed by the Dominion up to January 1, 1935—Manitoba $805,000, Saskatchewan $17,682,000.
(4) These amounts are offset by a contra account on the revenue side.

SUMMARY OF REVENUES AND EXPENDITURES

(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
Ordinary expenditures	372,539	387,112	414,892	413,032	397,996
Ordinary revenues	372,222	445,029	510,298	498,017	541,618
Deficit (−) or surplus (+) on ordinary account	−317	+57,917	+95,406	+84,985	+143,622
Special expenditures	102,047	78,004	68,535	71,896	207,453
Less special receipts	320	8,464	3,010	1,256	164
Balance	101,727	69,540	65,525	70,640	207,289
Add—Capital expenditures	6,544	3,492	4,430	5,424	7,029
" Government owned Enterprises	50,940	44,218	44,833	58,943	42,080
" Other charges	515	19,179	1,718	3,768	25,958
	159,726	136,429	116,506	138,775	282,356
Less other credits	54	661	3,385	2,898	20,313
	159,672	135,768	113,121	135,877	262,043
Add deficit or deduct surplus as above	317	57,917	95,406	84,985	143,622
Over-all deficit or increase of direct net debt	159,989	77,851	17,715	50,892	118,421

REVENUES, 1939-40

3. The total revenues of the dominion from taxation and other sources, not including $20,292,000 of credits to non-active account which necessarily appears also on the expenditure statement, aggregated $541,803,000. This represents an increase of $26,952,000 or 5·2 per cent over the previous all-time record revenue received in the fiscal year 1937-38. Compared with last fiscal year, 1938-39, the increase was $42,490,000, or 8·5 per cent.

4. Total revenue from taxation amounted to $467,685,000, an increase of $31,978,000 over that collected in the previous year. With the exception of (1) income tax, and (2) manufacturers', importations, stamps, transportation taxes, etc., the main sources of taxation recorded substantial increases over last fiscal year. These increases arose out of taxation changes effected by the emergency budget of September 12, 1939 and improvement of business conditions generally.

5. The sales tax replaced income tax as the largest single revenue producer. Receipts from this tax totalled $137,446,000, an increase of $15,307,000 over 1938-39. This increase was due in part to improvement in general business activity and in part to the removal from the schedule of exemptions of electricity and gas used for domestic purposes, salted or smoked meats and canned fish, as provided for in the budget of September 12, 1939.

6. Income tax receipts totalled $134,449,000, a decline of $7,577,000 from that collected in the previous year. This decline was principally in the collections of the tax on corporation incomes based on 1938 earnings. Of the receipts, $77,920,000 was from the tax on corporation incomes, $45,407,000 from the tax on individual incomes, and $11,122,000 from the 5 per cent tax collected at the source on interest and dividends.

7. Other excise taxes including the stamp tax on cheques, etc., and the taxes on sugar, automobiles and rubber tires, matches, toilet preparations, pullman tickets, telegraph and telephone messages and other miscellaneous commodities realized $28,582,000, a decrease of $10,990,000 from the previous year. The removal of the 3 per cent tax on importations under the intermediate tariff resulted in a loss in revenue from this source of $13,612,000. The difference, namely $2,622,000, represents the net increase in other items of excise taxes.

8. Receipts from excise duties, mainly on liquor and tobacco totalled $61,032,000, an increase of $9,718,000. This increase was due largely to the increased duties on liquor and tobacco following the budget of September 12, 1939.

9. The greatest increase in revenues from any one source occurred in customs import duties, where a total of $104,301,000 was realized, compared with $78,751,000 for the previous fiscal year, an increase of $25,550,000 or 32·4 per cent. Of this increase it is estimated that approximately $6,600,000 was obtained from the tariff increases provided for in the September, 1939, budget. The balance of the increase reflects improvement in conditions generally due in part at least to expanding activity brought about by the war.

10. Non-tax revenues or revenues from services rendered by the various departments and interest on investments, totalled $73,933,000 compared with $62,310,000 in the previous year. The largest non-tax item is the receipts of the Post Office which totalled $36,729,000 during 1939-40, an increase of $1,441,000 over the preceding fiscal year. The cost of operations of the Post Office last year was practically the same as its receipts, there being a nominal surplus of $2,000. Last fiscal year there was a nominal deficit of $168,000. The Post Office accounts do not include the rental value and other costs of premises occupied and equipment used, nor do they include any credit to the Post Office for services rendered to other departments through the free use of the mails.

The second largest non-tax revenue item is Interest on Investments which totalled $13,394,000, an increase of $231,000 over that received in the previous year.

Casual Revenue including mint handling charges and net profits on coinage, Dominion's share of surplus profits of the Bank of Canada, receipts from various provinces for services rendered by the Royal Canadian Mounted Police and other miscellaneous items totalled $9,373,000.

The large amount shown as Premium, Discount and Exchange revenue is due mainly to the redemption of the 3½ per cent 1930-50 loan of £28,162,776, which was called for payment and paid at the current rate of sterling.

11. Special Receipts and other credits amounted to $20,477,000. The main item in this category is the credit of $20,292,000 made up of $17,682,000 of Province of Saskatchewan treasury bills written off from non-active account; $2,600,000 of Canadian National Railways Securities Trust Stock written off because of line abandonments during the calendar year 1939; and $10,000 representing the yearly established losses in the seed grain and relief accounts of the Department of Mines and Resources. All of these amounts necessarily appear on the expenditure statement under the heading of "Other Charges".

EXPENDITURES, 1939-40

12. The comments which follow will deal with expenditures classified by the usual main categories: Ordinary Expenditures, Capital Expenditures, Special Expenditures (including relief and war), Operating Deficits of and Non-active Advances to Government Owned Enterprises, and Other Charges. All disbursements under these categories are included as expenditure in arriving at the over-all deficit or increase in net debt.

ORDINARY EXPENDITURES

13. Ordinary expenditures, which include interest on the public debt and the general administrative expenses of the Government totalled $397,996,000, a decrease of $15,036,000 from the previous fiscal year.

The largest decrease in ordinary expenditures is in the Department of National Defence where by reason of the war a change in policy was instituted as from September 1, 1939 which involved the charging of certain expenditures of this department to War Expenditures. These are included in the totals shown under section 15. Certain Defence Expenditures, totalling $3,770,000, originally set up as Capital have been charged to Ordinary Account pursuant to Item 205 of the Main Estimates, 1940-41. Ordinary expenditures of the Public Works Department decreased approximately $2,400,000 and special grants to provinces were reduced by $2,000,000.

There were no very large increases in the ordinary expenditures of any particular department. Expenditures of the Department of Agriculture increased by $2,290,000. Interest on public debt was up by $1,319,000. The dominion's share of Old Age Pensions, including pensions to blind persons was $933,000 higher than last fiscal year. Payments in connection with the movement of coal under the Department of Mines and Resources increased by $2,611,000. The only other increase of any considerable amount was for the treatment and after-care of returned soldiers which increased by $1,325,000.

CAPITAL EXPENDITURES

14. Total expenditures charged to capital amounted to $7,029,000 compared with $5,424,000 in the previous year. The main items in this category are expenditures arising out of dredging the St. Lawrence Ship Channel and the construction and improvements of airways and airports.

SPECIAL EXPENDITURES

War Expenditures—

15. Expenditures arising out of the war are treated as special expenditures. The amount actually expended and charged to the fiscal year 1939-40 was $118,340,000 divided by departments and services as follows:

Agriculture—		
Purchase of Apples	$ 1,302,000	
Purchase of Fibre Flax Seed	1,000	
Programme to encourage production of essential agricultural war supplies	39,000	
Sundry	35,000	
		$ 1,377,000
Auditor General's Office—		
Audit of War Expenditure		8,000
Civil Service Commission—		
Additional War Expenses		6,000
External Affairs—		
Establishment of new offices abroad	47,000	
Sundry	29,000	
		76,000
Finance—		
Comptroller of the Treasury—		
Dependents' Allowance Office and Outside Establishments	358,000	
War Supply Board Administration	215,000	
		573,000
Justice—		
Prize Court	1,000	
Defence of Canada regulations	13,000	
		14,000
Labour—		
Wartime Prices and Trade Board		55,000
Mines and Resources—		
Repatriation of distressed Canadians abroad		18,000

War Expenditures—Concluded		
National Defence—		
Administration	504,000	
Military Services	67,323,000	
Censoring	99,000	
Internment	274,000	
Naval Services	11,351,000	
Air Services	28,554,000	
British Commonwealth Air Training Plan	4,257,000	
		112,362,000
National Harbours Board—		
St. John—Dredging—Courtenay Bay		70,000
National Research Council—		
Scientific and Technical Work		121,000
National Revenue—		
Censorship of Publications		2,000
Pensions and National Health—		
Hospitalization Expenses—		
C.A.S.F.	778,000	
R.C.M.P.	49,000	
Air Raid Precaution	56,000	
Sundry	17,000	
		900,000
Post Office—		
Censorship Co-ordination Committee (Postal Censorship)		70,000
Privy Council—		
Censorhip Co-ordination Committee	5,000	
Sub-Committee of the Cabinet on Public Information	25,000	
		30,000
Public Works—		
New Office building in Ottawa	137,000	
Furniture, etc., for new employees	263,000	
Alterations to buildings	203,000	
Rental of new premises	87,000	
Construction, repairs and improvements to drydocks and dockyards	68,000	
Halifax barracks and torpedo building	60,000	
Sundries	11,000	
		829,000
Royal Canadian Mounted Police—		
Increase in strength		1,400,000
Secretary of State—		
Censorship Co-ordination Committee (Press Censorship Division)	30,000	
Internment Operations	215,000	
Public Information Office	22,000	
Sundries	8,000	
		75,000
Trade and Commerce—		
Expenses *re* Canadian Shipping Board		4,000
Transport—		
Airport and airway facilities and aerodrome sites	138,000	
Meteorological services—wartime	25,000	
Radio services—wartime	71,000	
Canals services—canals protection and special pilotage	18,000	
Marine services—increased services of Marine Service Fleet, and replacing of buoys	75,000	
Sundries	23,000	
		350,000
Total		$118,340,000

Relief Expenditures—

16. Special expenditures for the alleviation of unemployment conditions and of agricultural distress amounted in 1939-40 to $62,113,000 compared with $46,896,000 in the previous year. Payments to provinces under the Material Aid and Municipal Improvements Projects agreements amounted to $19,534,000 compared with Grants-in-aid to provinces the previous year of $17,037,000. The Dominion's share of joint Dominion-Provincial projects, including transportation facilities into mining areas and the development of tourist highways, increased from $7,472,000 to $8,268,000. The total cost of public works and other projects including administration for which the dominion assumed sole responsibility amounted to $25,206,000 as compared with $13,241,000 during the preceding year.

Special drought area relief in the Province of Saskatchewan was confined to the earlier months of the fiscal year, and consequently expenditures under this heading declined from $9,146,000 in 1938-39 to $1,605,000 in 1939-40. However, as an offset to this reduction, there was an expenditure during 1939-40 of $7,500,000 under the Prairie Farm Assistance Act, 1939, representing the net cost to the Dominion in connection with the acreage bonuses paid to farmers under the Act.

The following table compares relief expenditures during each of the last two fiscal years:

	1938-39	1939-40
Material Aid to Provinces	$ 17,037,000	$ 18,291,000
Dominion's share, Municipal Improvements projects	.....	1,243,000
Dominion's share of joint Dominion-Provincial projects	7,472,000	8,268,000
Dominion Projects—		
Department of Agriculture	3,338,000	3,620,000
" Fisheries	533,000	232,000
" Mines & Resources	1,672,000	2,752,000
" National Defence	369,000	137,000
" Public Works	5,780,000	13,338,000
" Transport	1,076,000	4,296,000
Sundry Departments	473,000	831,000
Western Drought Area Relief—		
Direct Relief and Agricultural Relief	8,869,000	1,605,000
Foodstuffs	277,000	.....
Prairie Farm Assistance Act Net Payments	.....	7,500,000
	$46,896,000	$62,113,000

17. The following table shows the Dominion's relief expenditures of a direct nature since the passing of the first Relief Act in 1930:

(000 omitted)

—	Direct Relief including Grants-in-Aid	Joint Dominion-Provincial Works and Projects	Dominion Works and Projects	Western Drought Area Relief	Write-off of Provincial Loans	Miscellaneous Relief Expenditures	Total
	$	$	$	$	$	$	$
Period Sept. 22/30 to Mar. 31, 1935	77,767	49,643	29,977	(1) 15,088	.....	3,532	176,007
Year ended Mar. 31/36	26,570	10,408	38,132	(2) 4,000	.....	306	79,416
Year ended Mar. 31/37	28,931	12,472	27,585	8,751	(3) 18,487	265	96,491
Year ended Mar. 31/38	19,530	10,165	13,847	24,586	.....	407	68,535
Year ended Mar. 31/39	17,070	7,472	12,919	9,146	.....	288	46,895
Year ended Mar. 31/40 (estimated)	19,534	8,268	24,919	(4) 9,105	(5) 1,374	287	63,487
Total	189,402	98,428	147,379	70,676	19,861	5,085	530,831

(1) Includes $5,000,000 Province of Saskatchewan Treasury Bills written off and charged to expenditure.
(2) Represents Province of Saskatchewan Treasury Bills written off and charged to expenditure.
(3) Written down to non-active assets as of March 31, 1937, and written off during 1939-40.
(4) Includes net cost to the Dominion under the Prairie Farm Assistance Act 1939, $7,500,000.
(5) Write off of Saskatchewan Treasury Bills re 1934-35 Drought Area Relief.

In the above table no account is taken of loans to Western Provinces under Relief Acts, loans to cover labour cost of special railway works programmes and losses borne by the

Dominion as a result of wheat marketing operations.

18. The last item in this classification covers losses arising from the dominion's guarantee of a price of 80 cents per bushel, basis No. 1 northern, Fort William, for the Western Wheat Crop of 1938. At the close of the fiscal year under review there remained unsold a small quantity of wheat of the 1938 crop and accordingly the losses of the Canadian Wheat Board in respect of the marketing of that crop were not finally determined. It was clear, however, that these losses would amount to at least $52,000,000. An advance of this amount without interest was made on account to the board to enable it to pay off guaranteed bank advances. During 1938-39 a reserve of $25,000,000 had been set up as a reserve in the accounts in respect of possible losses in marketing this wheat and the difference between the total advance of $52,000,000 and this reserve, namely, $27,000,000 has been charged to the dominion's accounts in 1939-40.

GOVERNMENT OWNED ENTERPRISES

19. The next major classification of expenditures comprises the losses of, and non-active advances to, Government owned enterprises which are operated as separate corporations.

Canadian National Railways

20. The operating revenues of the Canadian National Railways for the calendar year 1939 amounted to $203,820,000, an increase of $21,578,000 or 11·8 per cent from the preceding year. All classifications of revenue tonnage, except forest products, showed substantial increases over 1938.

Operating expenses of the railways totalled $182,966,000 an increase of $6,790,000 or 3·8 per cent over 1938. Most of this increase was in maintenance and transportation expenses necessitated by the increase in traffic.

The net revenue available for interest on the railway's debt was $10,635,000 compared with a deficit before interest charges of $3,549,000 in 1938. After payment of interest charges of $49,814,000 due to the public and interest charges of $916,000 due to the government in respect of temporary loans for capital purposes, there was a net cash deficit of $40,096,000 compared with $54,314,000 in the previous year, a decrease of $14,218,000.

The operating deficit of the Prince Edward Island Car Ferry and Terminals during 1939 was $427,000 as compared with $388,000 in 1938.

National Harbours Board

21. The operations of the harbours and facilities under the administration of the National Harbours Board in 1939 recorded a small gain over 1938. Operating income for the calendar year after payment of interest to the public but before depreciation and interest on Government advances, totalled $3,723,000 compared with $3,640,000 in the previous year.

Financial assistance provided by the government to the National Harbours Board and charged to dominion expenditure in the fiscal year ended March 31, 1940, amounted to $1,121,000. This amount was made up as follows: $94,000 for the operating deficits of the harbours at Quebec and Churchill; $377,000 for non-active advances for the deficit of the Jacques Cartier Bridge at Montreal; $7,000 for retirement of debentures of the Saint John Harbour Commission and $643,000 for capital expenditures at Halifax, Saint John, Quebec, Chicoutimi and Three Rivers.

The elevators at Port Colborne and Prescott operated at a profit during 1939 and the Government received $325,000 from these sources which was credited to Casual Revenue.

Canadian National Steamships

22. Total earnings, especially passenger revenue, of the Canadian National (West Indies) Steamships Limited were seriously affected after the outbreak of war. The 1939 operations of the company resulted in a surplus of $154,000 after payment of interest on bonds held by the public but before depreciation and interest on advances from the government. The comparable figure for 1938 was $276,000. The 1939 operating surplus was paid to the Government in partial payment of interest. An advance of $8,000 was made to the company for capital improvements of vessels under its control.

Trans-Canada Air Lines

23. The operations of the Trans-Canada Air Lines expanded greatly during the calendar year 1939. Operating revenue increased from $591,000 to $2,350,000. The annual deficit after payment of interest on capital and depreciation decreased from $818,000 in 1938 to $412,000 in 1939.

Central Mortgage Bank

24. The operations of the Central Mortgage Bank for the period July 14 to December 31, 1939, resulted in an operating deficit of $16,000 which was paid by the dominion government. Further information as to this bank will be found under Loans and Investments.

Summary

25. The total amount charged to Government expenditures resulting from operating deficits and non-active advances to all government owned enterprises totalled $42,080,000 as compared with $58,943,000 in the fiscal year ended March 31, 1939. The decrease of $16,863,000 was mainly due to the reduction of the deficit of the Canadian National Railways. Loans and Advances to Government Owned Enterprises which are treated in the Public Accounts as Active Assets are referred to in a later section.

OTHER CHARGES

26. Other Charges, the final main category of expenditures, amounted to $25,958,000. The principal item included in this total was the write-off of Saskatchewan treasury bills from non-active assets to Consolidated Fund amounting to $17,682,000. Other items similarly dealt with were reduction of Canadian National Railways Securities Trust Stock of $2,600,000 representing line abandonments during the calendar year 1939 and the yearly established losses in seed grain and relief accounts of the Department of Mines and Resources amounting to $10,000. The total of these three items, namely, $20,292,000, is offset by a similar amount of Other Credits already referred to under Revenues.

The annual write-off of Soldier and General Land Settlement Loans amounted to $1,643,000. Capital Stock of the Canadian Farm Loan Board in the amount of $11,000 was cancelled. An amount of $1,374,000 of Saskatchewan Treasury Bills was written-off as a final adjustment with respect to drought area relief assumed by the Dominion for the period September 1, 1934, to August 31, 1935.

Pursuant to the Saskatchewan Seed Grain Loans Guarantee Act, 1936, the dominion was required to fulfil its guarantee with respect to bank loans to municipalities to the extent of $2,638,000.

SUMMARY OF EXPENDITURES

27. The grand total of the preceding expenditures, i.e., Ordinary, Capital, Special including War, Government Owned Enterprises, and Other Charges, is $680,516,000 for the fiscal year 1939-40.

28. The following table shows the percentage distribution of revenues and expenditures for a number of important items of revenue and expenditure. Receipts from various taxes and other revenue sources are shown as percentages both of total revenues and of total expenditures. Similarly, several of the main items of expenditure or groups of such items are shown as percentages both of total expenditures and of total revenues. This table should only be used for the purpose of drawing broad conclusions as to the relative burdens imposed on the treasury by the several important services or obligations of government.

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES, 1939-40

(000 omitted)

Revenues	Amount (estimated)	Percentage of total Revenues	Percentage to total Expenditure
	$	%	%
Ordinary Revenue—			
Income Tax	134,449	23·92	19·76
Customs Import Duties	104,301	18·56	15·33
Excise Duties	61,032	10·86	8·97
Sales Tax	137,446	24·45	20·20
Manufacturers', importation, stamp taxes, etc	28,582	5·09	4·20
Other tax revenues	1,875	0·33	0·27
Total Revenue from Taxes	467,685	83·21	68·73
Non-tax Revenues	73,933	13·15	10·86
Total Ordinary Revenue	541,618	96·36	79·59
Special Receipts and Credits	164	0·03	0·02
Other Receipts and Credits—			
Refunds of capital expenditures and credits on non-active accounts	20,313	3·61	2·99
Grand Total Revenues	562,095	100·00	82·60

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES, 1939-40—*Concluded*

(000 omitted)

Expenditures	Amount (estimated)	Percentage of total Expenditure	Percentage to total Revenue
	$	%	%
Ordinary Expenditure—			
Interest on public debt	129,315	19·00	23·01
Cost of loan flotations and amortization charges	4,992	0·73	0·89
Public Debt Charges	134,307	19·73	23·90
Subsidies and special grants to Provinces	19,244	2·83	3·42
Old Age Pensions	29,977	4·40	5·33
Civil pensions and superannuation	574	0·08	0·10
Pensions and after-care of soldiers—			
Pensions, war and military	42,217	6·20	7·51
Treatment and after-care of returned soldiers	14,778	2·17	2·63
Total	56,995	8·37	10·14
Agriculture	11,817	1·74	2·10
Fisheries	2,320	0·34	0·41
Legislation	2,320	0·34	0·41
Mines and Resources	16,477	2·42	2·93
National Defence	13,192	1·94	2·35
Post Office	36,727	5·40	6·54
Public Works	13,066	1·92	2·33
Transport	15,424	2·27	2·75
All other	45,556	6·70	8·10
Total Ordinary Expenditure	397,996	58·48	70·81
Capital Expenditure—			
Railways	23	—	—
Public Works	7,006	1·03	1·25
Total Capital Expenditure	7,029	1·03	1·25
Special Expenditure—			
Reserve for losses on wheat	27,000	3·97	4·80
Material aid to Provinces, including improvements projects	19,534	2·87	3·48
Dominion projects	24,919	3·66	4·43
Western Drought Area Relief	9,105	1·34	1·62
Miscellaneous relief	8,555	1·26	1·52
War expenditure	118,340	17·39	21·06
Total Special Expenditure	207,453	30·49	36·91
Government Owned Enterprises—			
Losses charged to Consolidated Fund—			
Canadian National Railways	40,523	5·95	7·21
National Harbours Board, Trans-Canada Air Lines and Central Mortgage Bank	522	0·08	0·09
Loans and Advances Non-Active—			
Canadian National Steamships and National Harbours Board	1,035	0·15	0·18
Total Government Owned Enterprises	42,080	6·18	7·48
Other Charges—			
Write-down of assets	23,320	3·43	4·15
Fulfilment of guarantees—Saskatchewan Seed Grain Loans Guarantee Act, 1936	2,638	0·39	0·47
Total Other Charges	25,958	3·82	4·62
Grand Total Expenditures	680,516	100·00	121·07

OVER-ALL DEFICIT

29. Total revenues for 1939-40 amounted to $562,095,000, and total expenditures to $680,516,000, resulting in an over-all deficit of $118,421,000. In the preceding fiscal year, the comparable deficit was $50,892,000.

LOANS AND INVESTMENTS

Active Assets

30. In addition to the expenditures for the year, as already outlined, the dominion has made disbursements for the acquisition of investments which are considered as active assets in the Public Accounts. These active assets are deducted from the total direct debt in arriving at the figure of net debt. During the fiscal year 1939-40, the net increase in active loans and investments was $46,017,000 as compared with $27,557,000 in 1938-39.

LOANS TO PROVINCES

31. Under authority of the annual Relief Acts, 1931 to 1935, inclusive, the dominion had power to grant financial assistance to a provincial government by way of loan, advance or guarantee without limitation as to purpose or amount. Up to the close of the fiscal year 1935-36, loans had been granted to the four Western Provinces for purposes other than relief including the retirement of maturing provincial obligations, and, to a limited extent, ordinary provincial government expenditures. Since April 1, 1936, the dominion's lending power has been limited to the making of loans only where necessary to enable a province to pay its share of expenditures pursuant to agreements with the dominion entered into under authority of the relative Relief Act.

32. The total amount of loans advanced during the fiscal year 1939-40 was $12,191,966, divided as follows:—

Manitoba	$ 2,012,000
Saskatchewan	8,633,414
British Columbia	1,546,552

In addition the dominion accepted Saskatchewan Treasury Bills to the net amount of $1,614,335 in respect of certain interest accruals on previous relief loans which the province was unable to pay in cash.

33. During the year repayments of loans were made to the amount of $1,240,273 as follows:

Manitoba	$ 129,507
Saskatchewan	1,057,068
Alberta	53,698

34. The following tables show the net loans made to each province during each fiscal year and a classification of such loans on the basis of the general purposes for which the loans were given:—

NET LOANS TO PROVINCES UNDER RELIEF ACTS BY FISCAL YEARS

—	Manitoba	Saskatchewan	Alberta	British Columbia	Total
	$	$	$	$	$
1931–32	2,788,812	10,934,341	4,097,740	4,813,124	22,634,017
1932–33	5,171,904	7,578,556	1,902,041	912,636	15,565,137
1933–34	2,273,283	5,469,240	4,050,743	1,321,761	13,115,027
1934–35	2,874,631	10,141,014	1,926,476	7,966,714	22,908,835
1935–36	2,396,226	14,245,478	13,104,000	12,558,445	42,304,149
1936–37	4,626,000	6,058,879	805,198	3,972,400	15,462,477
1937–38	2,959,188	11,604,787	193,000	1,541,636	16,298,611
1938–39	1,405,499	13,708,847	—	−129,506	14,984,840
1939–40	1,882,493	9,190,681	−53,698	1,546,552	12,566,028
	26,378,036	88,931,823	26,025,500	34,503,762	175,839,121
Less Write-off as provided by votes 392 and 393 of further supplementary estimates, 1936–37	804,897	17,682,158	—	—	18,487,055
Less Write-off Sask. Treas. Bills *re* 1934–35 Drought Area relief assumed by Dominion. (Principal $1,250,000; Accrued int. previous yrs. $123,979.81)	—	1,373,980	—	—	1,373,980
	25,573,139	69,875,685	26,025,500	34,503,762	155,978,086

NET LOANS TO PROVINCES UNDER RELIEF ACTS CLASSIFIED AS TO PURPOSE

—	Loans Specifically to meet Maturing Obligations and Interest	Loans Specifically for Agricultural Relief, Including Purchase of Seed Grain	Loans for Provincial Purposes Generally Including Direct Relief and Public Works	Total
	$	$	$	$
Manitoba	1,139,455	234,819	25,003,762	26,378,036
Saskatchewan	3,934,341	15,509,871	69,487,611	88,931,823
Alberta	8,577,000	3,149,050	14,299,450	26,025,500
British Columbia	9,818,845	—	24,684,917	34,503,762
	23,469,641	18,893,740	133,475,740	175,839,121
Less write-offs as shown in the preceding table; Manitoba $804,897; Saskatchewan $19,056,138				19,861,035
				155,978,086

CANADIAN NATIONAL RAILWAYS

35. In addition to paying the net income deficit of the Canadian National Railways, the Dominion made advances to the Railway for capital purposes amounting to $22,979,000, classified as follows:

Under Canadian National Railways Financing and Guarantee Act, 1939 (capital expenditures and retirement of miscellaneous obligations)	$12,443,000
Under Canadian National Railways Refunding Act, 1938	9,761,000
Construction of Senneterre-Rouyn Branch Line	325,000
Purchase of Trans-Canada Air Lines Capital Stock	450,000
	$22,979,000

A loan of $1,500,000 made in the fiscal year 1938-39 in anticipation of the passing of the 1939 budget of the railway company was repaid in the fiscal year ended March 31, 1940.

The dominion purchased under authority of the War Measures Act and the War Appropriation Act approximately $15,000,000 of railway equipment for the Canadian National Railways. As of the close of the fiscal year, equipment to the amount of $6,189,000 had been paid for and delivered. This equipment is being leased to the railway company under a hire-purchase agreement extending over a period of fifteen years.

The railway company paid the second instalment of $517,000 under the terms of a hire-purchase agreement relating to certain equipment purchased by the government in 1935-36 and 1936-37 at a cost of $6,723,000 and leased to the railway.

OTHERS LOANS AND INVESTMENTS

36. During the fiscal year the government purchased a further $188,000 of the capital stock of the Canadian Farm Loan Board and an additional $2,100,000 of the Board's 3½ per cent bonds. Capital stock in the amount of $11,000 was cancelled and written off. As at March 31, 1940, the total investment in the Canadian Farm Loan Board was $36,695,000.

37. In the fiscal year under review, 4,936 loans were approved under the National Housing Act in the amount of $21,924,000, bringing the total to March 31, 1940, to $52,553,000. During the year, the dominion's share of loans actually paid out, less repayments by borrowers, was $4,393,000. The net amount of loans outstanding at the close of the fiscal year made under the authority of the National Housing Act and the Dominion Housing Act was $9,805,000. Loans under the National Housing Act are made jointly by the Government and approved lending institutions and are secured by first mortgage or hypothec, running jointly to the government and an approved lending institution. Loans are normally made not in excess of 80 per cent of the cost or appraised value of the completed property, whichever is the lesser. However, in the case of owner-occupied houses where the lending value does not exceed $2,500, a loan may be made up to 90 per cent of the said lending value. Since January 1, 1940, new applications for loans are received only in respect of the construction of houses containing one self-contained dwelling place and where the loan does not exceed $4,000.

38. To March 31, 1940, the government has approved loans to the amount of $5,272,000 under the Municipal Improvements Assistance Act, 1938 to municipalities to enable them to finance the construction of municipal self-liquidating projects. During the fiscal year under review, the amount actually paid out on such loans, less repayments, was $3,111,000.

These loans bear interest at the rate of 2 per cent per annum and are amortized over a period not longer than the estimated useful life of the project. The province in which the municipality is located is required to guarantee the payments for interest on and amortization of each loan.

39. There was advanced during the year $947,000 to the National Harbours Board for capital construction purposes at the ports of Montreal and Vancouver. As a considerable part of the interest accrued on the obligations issued by these two ports has been paid to the government, these loans are carried as active assets on the books of the dominion.

40. Loans to the Canadian Pacific Railway Company made in previous years for relief purposes were further reduced by $211,000. In addition, the railway company paid the second instalment of $441,000 under the terms of a hire-purchase agreement relating to certain equipment purchased by the government in the fiscal years 1935-36 to 1937-38 at a cost of $5,730,000 and leased to the railway. Under the authority of the War Measures Act and the War Appropriation Act, the dominion purchased approximately $10,000,000 of railway equipment for the Canadian Pacific Railway company. As at March 31, 1940, equipment to the amount of $2,904,000 had been paid for and delivered. This equipment is being leased to the railway company under a hire-purchase agreement extending over a period of fifteen years.

41. The government purchased capital stock of the Central Mortgage Bank to the amount of $250,000. On November 13, 1939, it was announced that the government had decided that the Central Mortgage Bank should not commence active operations for the time being. The existing state of war and the uncertainties regarding the effect which war might have on incomes and real estate values, made conditions so abnormal that the government did not feel it would be practicable to make, with any degree of assurance, valuations that would provide an equitable and permanent basis for sound debtor-creditor relationships. There was the further consideration that the adjustments contemplated by the act involved the use of the national credit on a substantial scale, and this also seemed undesirable in view of the very heavy present and prospective demands upon the national resources for war purposes.

42. There was advanced to the Canadian Broadcasting Corporation the sum of $750,000 for capital construction, mainly for two transmitting stations located in the maritime and prairie provinces. The corporation repaid $50,000 on account of a loan made in the fiscal year 1937-38.

43. During the fiscal year under review, the provinces of Manitoba, Nova Scotia and Prince Edward Island reduced by $699,000 loans granted by the dominion in the post-war period for house construction. Loans for Soldier and General Land Settlement were reduced by payments of $1,116,000.

44. Investments in Sinking Funds amounted to $4,189,000. Stocks of other loans amounting to $6,987,000, held in the Sinking Fund of the 3½ per cent 1930-50 loan which was called for payment on April 17, 1940, were transferred to a bond holding account to be repurchased later for the Sinking Fund of other sterling issues. This resulted in Sinking Funds Account showing a net decrease for the year of $2,798,000.

45. The following statement shows the net changes in active investments during the last fiscal year together with comparable figures for the four preceding years:

LOANS AND INVESTMENTS, ACTIVE
(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
Sinking Funds	3,636	3,646	3,843	4,336	Cr. 2,798
Canadian National Railways	3,689	4,573	Cr. 27,429	3,841	21,479
Canadian Pacific Railway	1,270	555	Cr. 211	Cr. 211	Cr. 211
Canadian Farm Loan Board	7,933	10,991	3,848	2,834	2,288
Dominion and National Housing Acts—Loans	82	995	1,678	2,657	4,393
Municipal Improvements Assistance Act, 1938—Loans	—	—	—	815	3,111
National Harbours Board	1,438	323	1,890	692	947
Provinces—under relief legislation	42,304	15,462	16,299	14,985	12,566
Provinces—Post War Housing Loans	Cr. 3,003	Cr. 2,038	Cr. 1,422	Cr. 105	Cr. 699
Railway Equipment purchased	7,244	5,120	89	Cr. 1,399	8,135
Soldier and general land settlement	Cr. 566	Cr. 489	505	Cr. 749	Cr. 1,116
Roumanian Government	—	—	359	—	—
Bank of Canada—Capital Stock	—	5,100	—	820	—
Central Mortgage Bank—Capital Stock	—	—	—	—	250
Canadian Broadcasting Corporation	—	—	500	Cr. 50	700
Canadian National (West Indies) Steamships	—	—	450	—	—
Net Advances	64,027	44,238	399	28,466	49,045

LOANS AND INVESTMENTS, ACTIVE—*Concluded*

(000 omitted)

—	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	$	$	$	$	$
Less write-offs—					
Soldier and general land settlement loans	−488	−628	−750	−895	−1,643
Canadian Farm Loan Board—Capital Stock	—	−20	−10	−14	−11
Loans to Province of Saskatchewan—Drought Area Relief, 1934-35	—	—	—	—	−1,374
Write-down to non-active assets—					
Manitoba and Saskatchewan treasury bills	—	−18,487	—	—	—
Net change in active investments	63,539	25,103	Cr. 361	27,557	46,017

LOAN FLOTATIONS

46. In the fiscal year ended March 31, 1940, the government issued obligations in the amount of $657,793,471. All these issues were floated in the Canadian market. Maturing obligations in the amount of $362,935,587 were redeemed out of the proceeds of the new issues, the remainder of the proceeds providing cash for the current purposes of government.

47. The following table gives details of the amounts, terms and purposes of the new issues and the prices at which they were sold:

LOAN FLOTATIONS, 1939-40

Issue Date	Maturity Date	Interest Rate	Where Payable	Price		Yield at		Amount Issued	Issue Refunded	
				To Public	To Government*	Public Price	Price to Government		Amount	Interest Rate
1939		%		$	$	%	%	$	$	%
May 15..	May 15, 1942	1½	Canada	99·375	98·77	1·72	1·92	95,500,000	37,362,000 15,346,000	1 2
May 15..	June 1, 1958	3	Canada	98·50	97·71	3·10	3·16	39,000,000	1,690,500 30,101,500	2½ 4
July 1..	July 1, 1940	4	Canada (School Lands)	—	100·00	—	4·00	33,293,471	33,293,471	4
Oct. 16..	Oct. 16, 1941	2	Canada	—	100·00	—	2·00	200,000,000	2,638,000 4,654,000 6,242,500 99,425,979† 17,168,000	1 2 2½ 3½ 4
1940										
Feb. 1..	Feb. 1, 1948-52	3¼	Canada	100·00	99·216	3·27	3·36	250,000,000	75,013,637	3
Mar. 1..	Mar. 1, 1945	2	Canada	—	99·375	—	2·13	40,000,000	40,000,000	
								657,793,471	362,935,587	
Total amount issued for refunding purposes								362,935,587		
Total amount issued to provide new cash								294,857,884		
								657,793,471		

* Price to public, less commissions to dealers.
† Amount outstanding of 1930-50 3½% Registered Stock called for redemption on April 17, 1940, less amount held in sinking fund, converted at $4.86 = £1.

48. During the fiscal year under review, the issue fortnightly of three months' treasury bills was continued. The last issue of treasury bills during the year ended March 31, 1940, was sold at a discount of ·747 per cent. The average cost to the treasury of funds obtained from the twenty-three offerings during the year was a discount basis of ·726 per cent. The amount of these treasury bills outstanding at March 31, 1940, was $155,000,000 unchanged from the total outstanding at the close of the previous fiscal year.

49. As at March 31, 1940, the average rate of interest on the dominion's outstanding direct funded debt (including treasury bills) was 3·40 per cent, as compared with 3·52 per cent on March 31, 1939.

NATIONAL DEBT

50. At the close of the fiscal year there was outstanding unmatured funded debt (including treasury bills) of the dominion in the amount of $3,695,685,000. Of this total, securities in the amount of $67,196,000 were held in the sinking funds against certain issues payable in London. The remaining amount, $3,628,489,000, was outstanding in the hands of the public. Other liabilities, consisting chiefly of annuity, superannuation and insurance funds, Post Office Savings Bank deposits, and trust and contingent funds, were outstanding on the same date in an estimated aggregate amount of $332,888,000. Without deducting sinking funds now shown as an asset, the gross liabilities of the dominion totalled $4,028,573,000. On the other side of its balance sheet, the dominion had active assets of $757,593,000 representing cash on hand, sinking funds and active loans and investments. The net debt of the dominion, the difference between the gross liabilities and the active assets, is therefore estimated at $3,270,980,000. The increase over the same date last year amounted to $118,421,000, namely, the amount of the over-all deficit for the fiscal year.

51. The following is a preliminary statement showing the liabilities and assets of the dominion as estimated at March 31, 1940:—

LIABILITIES—MARCH 31, 1940

(estimated)

Bank Circulation Redemption Fund		$ 5,054,000
Post Office Money Orders, Postal Notes, etc., outstanding		2,787,000
Post Office Savings Bank deposits		23,100,000
Insurance and Superannuation Funds—		
Government Annuities	$ 140,042,000	
Insurance Fund—Civil Service	13,336,000	
Insurance Fund—Returned Soldiers	18,683,000	
Retirement Fund	9,827,000	
Superannuation Funds	60,887,000	
		242,775,000
Trust Funds—		
Indian Funds	14,298,000	
Common School Funds	2,677,000	
Contractors' Securities Deposits	2,114,000	
Other Trust Funds	3,126,000	
		22,215,000
Contingent and Special Funds		4,312,000
Province Debt Accounts		11,920,000
Funded Debt and Treasury Bills unmatured	3,695,685,000	
Floating Debt—		
Funded Debt matured and outstanding	2,465,000	
Interest due and outstanding	1,981,000	
Outstanding cheques	16,279,000	
		3,716,410,000
		$4,028,573,000

ASSETS—MARCH 31, 1940

(estimated)

Active Assets—		
Cash, working capital advances and other current assets		$ 186,742,000
Special Deposits		166,000
Sinking Funds		67,196,000
Bank of Canada Capital Stock		5,920,000
Central Mortgage Bank Capital Stock		250,000
Canadian Broadcasting Corporation—Loan		1,150,000
Canadian National (West Indies) Steamships, Ltd.—Loan		450,000
Dominion and National Housing Acts—Loans		9,805,000
Municipal Improvements Assistance Act, 1938—Loans		3,926,000
Loans to Provinces—		
Post War Housing Loans	$ 2,504,000	
Unemployment Relief Loans	155,978,000	
Alberta—Subsidy Overpayment	469,000	
		158,951,000
Loans to National Harbours Board—		
Montreal	61,698,000	
Vancouver	25,032,000	
		86,730,000
New Westminster Harbour Commission—Loan		275,000
Canadian Farm Loan Board—Advances and Capital Stock		36,695,000

ASSETS—MARCH 31, 1940—*Concluded*

(estimated)

Active Assets—*Concluded*		
Railway Accounts—		
Canadian National Railways—		
Advances—Financing and Guarantee Act, 1938	1,717,000	
Advances—Refunding Act, 1938	24,689,000	
Advances—Financing and Guarantee Act, 1939	12,443,000	
Senneterre-Rouyn Railway Line	639,000	
Trans-Canada Air Lines	550,000	
		40,038,000
Canadian Pacific Railway—		
Loan for betterment or repair of railway equipment	970,000	
Loan for wages on special works program	222,000	
		1,192,000
Purchase of equipment leased to—		
Canadian National Railways	11,878,000	
Canadian Pacific Railway	7,311,000	
		19,189,000
Loans to Foreign Governments—		
Greece	6,525,000	
Roumania	24,329,000	
		30,854,000
Soldier and General Land Settlement Loans		37,830,000
Seed Grain and Relief Advances		2,434,000
Canadian Government Railways Working Capital		16,772,000
Bond Holding Account		6,657,000
Province Debt Accounts		2,296,000
Deferred Debits—		
Unamortized discount and commission on loans		42,075,000
		$ 757,593,000
Net Debt, March 31, 1940 (estimated)		$3,270,980,000
Net Debt represented by—		
A. Expenditure and non-active assets (estimated) March 31, 1940.		
Capital Expenditures—		
Public Works—		
Canals	$ 240,316,000	
Railways	429,587,000	
Public Buildings, harbour and river improvements	299,029,000	
Military property and stores	12,057,000	
Territorial Accounts	9,896,000	
		$ 990,885,000
Loans, non-active—		
Canadian National Railways Securities Trust Stock		264,013,000
Canadian National Railways Stock		18,000,000
Canadian National Steamships		13,872,000
Canadian Pacific Railway (old)		62,791,000
National Harbours Board—		
Quebec	$ 27,365,000	
Chicoutimi	3,838,000	
Churchill	9,000	
Halifax	12,291,000	
Saint John	16,448,000	
Three Rivers	3,743,000	
Montreal (Jacques Cartier Bridge)	4,049,000	
		67,743,000
Seed Grain and Relief Advances		450,000
Soldier and General Land Settlement		16,526,000
Saskatchewan Seed Grain Loans Guarantee Act, 1936		2,638,000
Miscellaneous Advances		3,536,000
B. Consolidated Fund—		
Balance, consolidated fund brought forward from Mar. 31, 1939	1,702,494,000	
Excess of expenditure over revenue, fiscal year ended Mar. 31, 1940 (estimated)	128,032,000	
		1,830,526,000
		$3,270,980,000

52. The following table gives a statement of the unmatured funded debt (including treasury bills) of the dominion outstanding as at March 31, 1940 and the annual interest charges thereon:

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1940, AND ANNUAL INTEREST CHARGES

Date of Maturity	Rate per cent	Where Payable	Amount of Loan	Annual Interest Charges
			$ cts.	$ cts.
1940, June 1	1½	Canada	80,000,000 00	1,200,000 00
July 1	4	Canada	33,293,470 85	1,331,738 83
Sept. 1	4½	Canada	75,000,000 00	3,375,000 00
1941, Mar. 15	1	Canada	45,000,000 00	450,000 00
May 1	1¼	New York	20,000,000 00	250,000 00
Oct. 16	2	Canada	200,000,000 00	4,000,000 00
Nov. 15	5	Canada	141,663,000 00	7,083,150 00
1942, May 15	1½	Canada	95,500,000 00	1,432,500 00
June 1	2	Canada	60,000,000 00	1,200,000 00
Oct. 15	3	Canada	40,409,000 00	1,212,270 00
1943, June 1	2½	Canada	20,000,000 00	500,000 00
Oct. 15	5	Canada	147,000,100 00	7,350,005 00
1944, Jan. 15	2¼	New York	30,000,000 00	675,000 00
June 1	2	Canada	90,625,000 00	1,812,500 00
Oct. 15	4½	Canada	50,000,000 00	2,250,000 00
Nov. 15	2½	Canada	20,000,000 00	500,000 00
1945, Mar. 1	2	Canada	40,000,000 00	800,000 00
Aug. 15	2½	New York	76,000,000 00	1,900,000 00
Oct. 15	4	Canada	88,337,500 00	3,533,500 00
1946, Feb. 1	4½	Canada	45,000,000 00	2,025,000 00
1947, Oct. 1	2½	London	4,888,185 64	122,204 64
1948, Feb. 1	3¼	Canada	50,000,000 00	1,625,000 00
1949, Feb. 1	3¼	Canada	50,000,000 00	1,625,000 00
June 1	3¼	Canada	33,500,000 00	1,088,750 00
Oct. 15	3½	Canada	138,322,000 00	4,841,270 00
1950, Feb. 1	3¼	Canada	50,000,000 00	1,625,000 00
July 1	3½	London	*52,763,135 43	1,846,709 74
1951, Feb. 1	3¼	Canada	50,000,000 00	1,625,000 00
Nov. 15	3¼	Canada	60,000,000 00	1,950,000 00
1952, Feb. 1	3¼	Canada	50,000,000 00	1,625,000 00
May 1	5	New York	100,000,000 00	5,000,000 00
Oct. 15	4	Canada	56,191,000 00	2,247,640 00
1955, May 1	3¼	London	48,666,666 67	1,581,666 67
June 1	3	Canada	40,000,000 00	1,200,000 00
June 1	3	Canada	55,000,000 00	1,650,000 00
1956, Nov. 1	4½	Canada	43,125,700 00	1,940,656 50
1957, Nov. 1	4½	Canada	37,523,200 00	1,688,544 00
1958, June 1	3	Canada	88,200,000 00	2,646,000 00
Sept. 1	4	London	73,000,000 00	2,920,000 00
Nov. 1	4½	Canada	276,687,600 00	12,450,942 00
1959, Nov. 1	4½	Canada	289,693,300 00	13,036,198 50
1960, Oct. 1	4	London	93,926,666 66	3,757,066 67
Oct. 1	4	New York	100,000,000 00	4,000,000 00
1961, Jan. 15	3¼	New York	48,000,000 00	1,560,000 00
1963, July 1	3¼	London	48,666,666 66	1,581,666 67
1966, June 1	3¼	Canada	54,703,000 00	1,777,847 50
Perpetual	3	Canada	55,000,000 00	1,650,000 00
1967, Jan. 15	3	New York	55,000,000 00	1,650,000 00
1968, Nov. 15	3	New York	40,000,000 00	1,200,000 00
Treasury Bills due April 1, 1940	·788	Canada	25,000,000 00	197,000 00
Treasury Bills due April 15, 1940	·784	Canada	30,000,000 00	235,200 00
Treasury Bills due May 1, 1940	·752	Canada	25,000,000 00	188,000 00
Treasury Bills due May 15, 1940	·746	Canada	25,000,000 00	186,500 00
Treasury Bills due May 31, 1940	·751	Canada	25,000,000 00	187,750 00
Treasury Bills due June 14, 1940	·747	Canada	25,000,000 00	186,750 00
			3,695,685,191 91	125,574,026 72
Payable in Canada			2,904,773,870 85	78·60%
Payable in New York			469,000,000 00	12·69%
Payable in London			321,911,321 06	8·71%
			3,695,685,191 91	100%

* Called for payment April 17, 1940.

INDIRECT LIABILITIES

53. Bonds and debenture stocks bearing the guarantee of the dominion outstanding in the hands of the public at March 31, 1940, amounted to $1,084,479,000, a decrease of $987,000 during the fiscal year.

54. There were also outstanding on March 31, 1940, other contingent liabilities arising out of guarantees given under Relief and Seed Grain legislation and other acts. There were no new guarantees incurred during the last fiscal year.

During the fiscal year under review an amount of $52,000,000 was advanced without interest to the Canadian Wheat Board to enable the board to pay off guaranteed bank advances with respect to the marketing of the 1938 wheat crop. The guaranteed bank loans to the board outstanding at the close of the fiscal year amounted to $42,998,000. This amount constituted the board's gross liability to the banks at the close of the fiscal year and mainly related to the purchase of the 1939 wheat crop at the fixed price of 70 cents per bushel No. 1 northern, Fort William. The guarantee of the dominion to the Winnipeg Grain and Produce Clearing Association Limited, referred to in previous budgets, is still outstanding. No liability accrues from day to day in connection with the guarantee as margin deposits are made to the Clearing Association daily.

At March 31, 1940, 102,365 Home Improvement Loans had been made by banks and approved lending institutions to home owners in the amount of $41,110,000. Repayments to the same date on account of these loans amounted to $24,068,000, or over 58 per cent of the total amount of loans made. The dominion's contingent liability arising out of these loans is limited to 15 per cent of the aggregate of such loans made by each approved lending institution. As 288 loss claims for $86,922 have been paid, the maximum contingent liability as at March 31, 1940, was $6,079,595. In terms of dollar losses to total volume of loans, this loss ratio is only approximately $\frac{1}{5}$ of 1 per cent.

Under the Dominion Housing Act, 1935, and the National Housing Act, 1938, the dominion has accepted and is accepting certain obligations arising out of its contracts with approved lending institutions which, while not expressed in the form of a guarantee, may nevertheless be regarded as contingent or indirect liabilities.

The manner in which losses in respect of any loan are to be borne by the dominion and the lending institution is fixed by the contract. The general principle is that the dominion bears two-thirds of the loss if at the time the loss is sustained the principal amount of the loan repaid, less any other amounts due, is equal to or less than the amount advanced by the dominion and one-third of the loss if at the time the loss is sustained the principal amount repaid, less any other amounts due, is more than the amount advanced by the dominion. In the case of small loans (that is, for amounts not in excess of $4,000 in the case of a single dwelling place or not in excess of $700 per habitable room in the case of a multiple family dwelling), the share of the loss to be borne by the dominion is not more than 80 per cent and not less than 50 per cent of the loss. The above provisions apply to loans made under both the present National Housing Act and its predecessor, the Dominion Housing Act. Under the National Housing Act a new provision has been added to encourage the making of small loans in such small or remote communities and in such districts of other communities as may be designated by the Minister of Finance in any contract. In respect of such loans, the dominion has agreed in contracts with certain lending institutions to pay losses sustained by any such lending institution up to certain amounts determined by the contract which are not less than 7 per cent and do not exceed 25 per cent of the total amount of such loans made in such areas by the lending institution.

Order in Council, dated December 5, 1939, provided that after January 1, 1940, applications would be received only for loans for the construction of houses containing one self-contained dwelling place and where the loan does not exceed $4,000.

Loans to the number of 15,054 had been approved at March 31, 1940, under the Dominion Housing Act, 1935, and the National Housing Act, 1938, and in the amount of $52,553,000. No losses had been realized by the dominion as of that date.

55. The following is a statement of bonds and debenture stocks and other indebtedness guaranteed by the dominion outstanding as at March 31, 1940:

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE DOMINION GOVERNMENT AS AT MARCH 31, 1940

Date of Maturity	Issue	Interest Rate	Amount Outstanding
		%	$
Jan. 15, 1942	Canadian National	2	20,000,000 00
Feb. 15, 1943	Canadian National	2	55,000,000 00
Feb. 1, 1944	Canadian National	2¼	15,500,000 00
May 1, 1944	Canadian National	3	35,000,000 00
Jan. 15, 1946	Canadian National	2¼	15,000,000 00
July 1, 1946	Canadian Northern	6½	24,238,000 00
April 1, 1948	New Westminster Harbour Commissioners	4¾	700,000 00
Dec. 15, 1950	Canadian National	3	50,500,000 00
Sept. 1, 1951	Canadian National	4½	50,000,000 00
Feb. 1, 1952	Canadian National	3	20,000,000 00
Aug. 1, 1952	Saint John Harbour Commissioners	5	667,953 04
Feb. 15, 1953	Canadian National	3	25,000,000 00
July 10, 1953	Canadian Northern	3	9,359,996 72
Feb. 1, 1954	Canadian National	5	50,000,000 00
Mar. 1, 1955	Canadian National (West Indies) Steamships Limited	5	9,400,000 00
June 15, 1955	Canadian National	4¾	50,000,000 00
Feb. 1, 1956	Canadian National	4½	70,000,000 00
July 1, 1957	Canadian National	4½	65,000,000 00
July 20, 1958	Canadian Northern	3½	7,896,541 81
Jan. 15, 1959	Canadian National	3	35,000,000 00
May 4, 1960	Canadian Northern Alberta	3½	3,149,998 66
May 19, 1961	Canadian Northern Ontario	3½	34,229,996 87
Jan. 1, 1962	Grand Trunk Pacific	3	34,992,000 00
Jan. 1, 1962	Grand Trunk Pacific	4	8,440,848 00
July 1, 1969	Canadian National	5	60,000,000 00
Oct. 1, 1969	Canadian National	5	60,000,000 00
Nov. 1, 1969	Harbour Commissioners of Montreal	5	19,000,000 00
Feb. 1, 1970	Canadian National	5	18,000,000 00
By drawings	Canadian National	2	21,401,371 07
Various dates 1940-54	City of Saint John Debentures assumed by Saint John Harbour Commissioners	Various	795,384 78
Perpetual	Grand Trunk Guaranteed Stock	4	60,833,333 33
do	Grand Trunk Debenture Stock	5	20,782,491 67
do	Great Western Debenture Stock	5	13,252,322 67
do	Grand Trunk Debenture Stock	4	119,839,014 33
do	Northern Railway of Canada Debenture Stock	4	1,499,979 67
		-	$ 1,084,479,232 62

OTHER LIABILITIES GUARANTEED

	Principal Amount Outstanding Mar. 31, 1940
Bank Advances, *re* Province of Manitoba Savings Office	$ 6,491,173
Bank Advances, *re* Government of Newfoundland	625,000
Province of Manitoba Treasury Bill	4,809,206
Province of British Columbia Treasury Bill	626,534
Bank Advances, *re* Canadian Wheat Board	42,998,100
Winnipeg Grain and Produce Clearing Association, Ltd. Day to day margins of the Canadian Wheat Board (closed out daily)	— —
Bank Advances guaranteed under Seed Grain Loans Guarantee Act, 1937	6,891,858
Bank Advances guaranteed under Seed Grain Loans Guarantee Act, 1938	not determined
Loans made by approved lending institutions under Dominion Housing Act, 1935 and National Housing Act, 1938	indeterminate
Loans made by approved lending institutions under The Home Improvement Loans Guarantee Act, 1935	6,079,595
Deposits maintained by the chartered banks in the Bank of Canada	202,324,405

B. REVIEW OF ECONOMIC AND FINANCIAL CONDITIONS, 1939-40

1. The following tables and related paragraphs present a comprehensive survey of general economic conditions in Canada during the past year. For purposes of comparison figures for certain earlier years are also provided, and in the case of the more important factors statistics on a monthly basis are given covering the last two fiscal years.

The figures used throughout are those published by the Dominion Bureau of Statistics, unless otherwise indicated. Where an index or average figure is given for a fiscal, rather than a calendar year, it represents an average of the monthly data during the period concerned. All indexes shown as based on the year 1926 are to be construed as based on the calendar year 1926, and not the fiscal year.

A change this year in the method of compiling trade statistics at the end of the fiscal year has artificially decreased the March trade figures and artificially increased those of April, so that a valid comparison of either month with the same month in any previous year has been made impossible. This change not only affected directly the comparability of the trade statistics but influenced indirectly as well the index of the physical volume of business, many of the components of which utilize imports and exports of certain commodities as indicators of current business activity. To facilitate an accurate comparison of recent trends, therefore, in the following tables the figures for March and April of both the current and the preceding year have been averaged throughout, in the case not only of factors affected by the trade statistics, but, in order to provide comparable data, of other factors as well. In the text this average will be termed the March-April figure.

In the case of averages for the fiscal year ended March 31, 1940, no attempt has been made to adjust the March figures which have been artificially lowered by the change in the trade statistics, so that in all statistics affected by trade figures the average for the last fiscal year is slightly lower than it would have been if calculated on a basis comparable with previous years. This artificial reduction might amount to about one, two or three per cent in the annual figures.

CANADIAN ECONOMIC CONDITIONS

SUMMARY TABLES

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Group I.—Comprehensive Indexes (1926=100)									
Physical volume of business	101·9	122·1	74·8	115·2	120·8	113·8	126·9	114·9	137·0
Volume of manufacturing	101·1	117·5	70·8	117·6	119·8	108·4	125·6	108·5	132·8
Mining	103·0	121·1	104·2	166·5	196·0	194·8	217·6	208·1	252·2
Forestry	99·7	104·3	64·2	131·8	130·3	106·5	125·6	115·3	135·5
Carloadings	102·6	112·5	63·8	77·9	79·9	72·8	80·5	70·5	79·0
Electric power output	104·7	136·6	132·4	218·0	229·0	220·9	239·9	229·7	243·0
Employment	100·8	113·7	84·4	104·4	115·7	110·8	115·8	111·0	118·3
National income†	100·0	114·3	64·4	85·1	97·3	94·1	101·9	.....	.....
Dollar value of retail sales† (1930=100)	93·2	110·1	66·8	74·0	78·6	77·5	79·8	.....	.....
Group II.—Price Levels and Financial Factors (1926=100)									
Wholesale prices	98·8	95·8	65·5	77·2	84·6	76·0	77·8	73·3	83·2
Farm Product Prices	99·1	99·1	46·3	75·6	86·3	68·6	65·8	65·3	71·7
Cost of living	99·6	98·9	79·9	81·2	83·6	83·9	84·1	83·1	85·6
Common stock prices	101·8	173·3	52·1	125·5	117·6	103·8	99·4	99·9	98·0
Dominion Government bond prices	100·4	102·4	100·8	117·9	115·2	118·1	115·1	119·2	114·4
Dividend payments	101·8	123·7	79·9	112·9	139·0	143·4	129·2	136·1	124·7
Bank deposits	101·0	116·1	98·5	116·4	122·1	127·0	137·7	129·9	140·1
Active currency circulation	101·0	105·4	75·9	102·3	111·1	113·4	126·7	114·5	137·4

†Nearest calendar year.

SUMMARY TABLES—*Concluded*

	Calendar Years					
	1926	1928	1932	1937	1938	1939
	(Millions of Dollars)					
Group III.—Gross Value of Production in Major Industries						
Agriculture	1,714·5	1,806·0	766·8	1,039·5	1,062·6	1,170·9*
Forestry	555·8	586·2	349·3	494·3	425·0	484·8*
Fisheries	73·1	70·7	33·7	51·2	53·2	55·8*
Mining (inc. Smelting)	276·8	313·1	265·0	662·6	653·8	685·3*
Construction	385·9	488·4	132·9	351·9	353·2	354·9*
Manufacturing	3,100·6	3,582·3	1,980·5	3,625·5	3,337·7	3,613·8*
Group IV.—Foreign Trade and International Transactions‡						
Merchandise exports (all gold excluded)	1,276·6	1,363·6	497·9	1,012·1	848·7	935·9
Net exports of non-monetary gold†	30·4	40·1	70·0	145·1	160·5	184·4
Total exports, including non-monetary gold	1,307·0	1,403·7	567·9	1,157·2	1,009·2	1,120·3
Merchandise imports (all gold excluded)	1,008·3	1,222·3	452·6	808·9	677·5	751·0
Total trade	2,315·3	2,626·0	1,020·5	1,966·1	1,686·7	1,871·3
Export balance	+298·7	+181·4	+115·3	+348·3	+331·7	+369·3
Net tourist receipts	102·5	167·7	155·0	166·2	159·9	166·0
Net interest and dividend payments going abroad	201·0	221·0	261·8	246·2	251·0	260·8
Net capital export (direct estimate)	††	82·0	11·4	198·8	135·0	162·1

* Preliminary estimate. Certain of these figures have not yet appeared in official publications, or represent revisions of previously published figures.

‡ It should be noted that the export and import figures given in the table above, which have been compiled from official trade returns, differ slightly from the adjusted figures used in making up the Balance of International Payments. In the remaining part of the table certain less important items in the Balance of Payments have not been detailed.

† Adjusted for earmarked gold. These figures were computed by the Bank of Canad on the basis of official trade returns.

†† Not available.

PHYSICAL VOLUME OF BUSINESS

2. The index for the physical volume of business in Canada is the most comprehensive single measure of the level of general economic and business activity. It is made up by the Dominion Bureau of Statistics from 46 constituent items weighted according to their relative importance in the economy as a whole, and is adjusted for seasonal fluctuations. Included in the making of this index are such items as mineral production, manufacturing in its chief branches, construction, electric power output, trade employment, carloading, imports and exports. Agricultural production as such does not find a place in this index, nor do fishing and lumbering as primary activities, but the processing of and trade in the products of these industries are reflected in the index. Correction is made, where necessary, for changes in the price factor in order that the index shall properly record only changes in the *physical* volume of business done. 1926 is taken as the base year. Following are presented the index numbers for each fiscal year since 1927 and the index for each month in the last two fiscal years.

INDEX OF PHYSICAL VOLUME OF BUSINESS

(1926=100)

Fiscal Years ended March 31													
1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
101·9	108·0	122·1	122·0	105·4	89·3	74·8	84·9	96·4	104·4	115·2	120·8	113·8	126·9

MONTHLY INDEX*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	112·4	110·7	108·4	109·1	110·5	119·2	118·6	123·4	115·6	113·0	111·7	114·9
1939-40.....	116·7	121·4	121·4	120·5	125·2	125·8	133·1	133·0	133·3	138·6	131·2	137·0

* Seasonally adjusted.

The recovery from the depressed level of business activity of 1938 which had become evident in the early months of 1939 continued throughout the year and was accelerated by the outbreak of war in September. Each month in the past fiscal year was considerably above the corresponding month in the year previous, and the average for 1939-40 of 126·9 was about 11·5 per cent above that of 1938-39. The March-April figure for 1940 was 19·2 per cent higher than that for 1939, and has only been exceeded in one month in 1929, and in January of this year.

It may be of interest to compare this expansion of 19·2 per cent in the physical volume of business with the expansion in employment in all industries of about 6·6 per cent between March-April, 1939, and March-April, 1940. This suggests that the increased production has been achieved in considerable degree by a reduction in part-time work.

AGRICULTURE

3. The gross value of agricultural production in 1939 increased by about 10 per cent over the previous year and reached the highest level since 1930. In general, it was a year of good crops, but of low prices. The wheat crop of 490 million bushels was the second largest in our history. In quality it was about normal, through relatively highly concentrated in No. 1 northern grade. The area of poor crops was very much reduced from preceding years. The average price received by the farmer at the farm for his 1939 wheat, up to December 31, has been estimated at 52c. a bushel compared with a revised figure of 59c. for the 1938 crop.

One of the most outstanding features of Canadian agriculture in the past year has been the great increase in hog production and marketings since the summer of 1939. Hog marketings in the eight months from September to April amounted to 3,213,373 compared with 2,244,765 in the eight months a year before. Indications are that hog production and marketings in 1940 will be the largest recorded in the history of the industry. Hog prices declined during the spring of 1939, and during the summer months were lower than in the previous two years. They rose during the fall months and were fairly well stabilized during the first three months of this year under the operation of the Bacon Agreement with the United Kingdom, but they have weakened in recent months as a surplus of hog products has accumulated, and in April were below the levels of the past three years.

Among the branches of agriculture most affected by the war is that of apple production, since exports of apples to British and foreign markets have been severely curtailed. The apple crop of 1939 was a very large one, exceeded only by 1933 in the last fourteen years, but the average value received per unit fell to a level lower than that for any year of the same period and, consequently, the total value of the crop was much below that of recent years. The dominion government provided assistance in the marketing of the apple crop, including special arrangements for processing apples in Nova Scotia which is more dependent than other regions upon the export market.

It will be noted in the table below that the general index of farm prices in March-April of 1940 had increased by about 10 per cent over the level of a year before.

GROSS VALUE OF AGRICULTURAL PRODUCTION

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939*
All Agricultural Production	1,714·5	1,806·0	766·8	1,039·5	1,062·6	1,170·9
Wheat	442·2	451·2	154·8	184·7	211·3	252·8
All other field crops	662·8	673·8	297·7	371·5	338·8	381·3
Dairy products	277·3	297·6	159·1	215·6	226·2	217·7
Live stock	178·4	197·9	65·2	141·0	136·8	170·8
Poultry and eggs	83·6	106·7	42·1	51·8	53·7	55·5
Fruit and vegetables	43·1	48·8	32·2	41·8	57·1	55·9
Tobacco	7·4	6·8	6·1	17·1	20·3	19·2
All other agriculture	19·7	23·2	9·6	16·0	18·4	17·7

* Subject to revision.

GENERAL INDEX OF FARM PRICES

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	82·5	77·3	76·6	71·4	64·1	63·8	63·8	64·9	64·6	64·8	64·7	65·3
1939-40	65·5	65·2	63·3	62·7	58·4	64·2	64·5	65·1	69·1	70·0	70·3	71·7

* Seasonally adjusted.

MINING

4. The past year has seen production and employment in the mineral industry expand to new record levels. Gold mining continues to be the largest element and the volume of gold produced in the fiscal year 1939-40 showed an increase of about 5·8 per cent over the previous year, while the value of the production has, of course, been increased since September by the higher price received in Canadian dollars. Production of copper, nickel and zinc was larger in each case than in any previous year, but the value of this production was not as great as in 1937 because prices were lower than in that year. Contracts were made between the major Canadian base metal producers and the United Kingdom Ministry of Supply, providing for the sale of the bulk of the Canadian export surplus of copper, lead and zinc at prices approximately equal to those prevailing immediately before the outbreak of war.

Iron ore production commenced again in Canada in 1939 after a lapse of 16 years. Development is also proceeding rapidly to bring into production the high grade iron ore deposit at Steep Rock Lake.

Petroleum production in Alberta continued to expand though subject to pro-rationing because of the limited market available in the Western Provinces. Thirty-four new wells were brought into production in Turner Valley in 1939. Coal production in 1939 was also increased by 8·6 per cent over the previous year, most of the increase occurring in Nova Scotia, and in the first four months of this year production shows an increase of 26½ per cent over the same months of last year.

Employment in mining continued to expand despite a slight set-back during the early winter. The March-April figure this year shows an increase of 4·2 per cent over that of a year ago.

VALUE OF MINERAL PRODUCTION

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939†
Value of All Minerals	240·4	275·0	191·2	457·4	441·8	473·1
Gold	36·3	39·1	71·5	143·3	166·2	184·1
Copper	17·5	28·6	15·3	68·9	56·6	60·9
Nickel	14·4	22·3	7·2	59·5	53·9	50·9
Lead	19·2	15·6	5·4	21·1	14·0	12·3
Zinc	11·1	10·1	4·1	18·2	11·7	12·1
Silver	13·9	12·8	5·8	10·3	9·7	9·4
Coal	59·9	63·8	37·1	48·8	44·0	48·3
Petroleum	1·3	2·0	3·0	5·4	9·2	10·4
All others	66·8	80·7	41·8	81·9	76·5	84·7

† Preliminary.

PHYSICAL VOLUME OF MINERAL PRODUCTION

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	212·7	199·4	176·6	192·1	198·6	202·1	201·4	206·6	183·1	176·8	190·9	208·1
1939-40	219·6	232·7	228·9	238·5	233·2	223·2	194·2	236·7	202·4	215·6	200·9	252·2

*Seasonally adjusted.

EMPLOYMENT IN MINING

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	156·6	155·0	156·7	156·7	154·4	156·2	156·4	156·5	157·2	159·1	160·7	163·3
1939-40	162·9	161·3	164·1	166·4	166·4	166·7	165·7	163·8	164·9	163·4	168·6	170·1

* Seasonally adjusted as at first of month.

FORESTRY

5. The volume and value of forestry production in the past fiscal year, and in the calendar year 1939, have shown substantial increases over the preceding year. This was true for some months before the outbreak of war, as well as after it.

Newsprint production has increased markedly during the war period due to a greater demand in the United States and to the shutting off of Scandinavian supplies from world markets. In the first eight months of war newsprint production was 15·3 per cent above the same period a year before, and for May the industry reports production of 323,563 tons, which is a new high record, and 29·6 per cent above May of last year.

Lumber production has also been stimulated by wartime requirements, though not as yet to the same degree as newsprint production. Lumbering in eastern Canada has been favoured relatively to that in British Columbia due to the greater availability of Atlantic shipping for export. About 10 per cent more lumber was scaled in British Columbia from September to April than in the same period in the previous year. The index of lumber and timber prices during the war period has averaged about 12 per cent above the year before.

It will be noted in the table below that improved employment in logging reflects the much better market for forestry products in the past year.

FORESTRY PRODUCTS

(Millions of Dollars)

—	Calendar Years					
	1926	1928	1932	1937	1938	1939
Gross Value of All Forestry Products	555·8	586·2	349·3	494·3	425·0	484·8†
Newsprint (in above)	121·1	144·1	85·5	126·4	107·1	120·0†
Planks and boards exported	61·9	47·7	12·6	45·4	35·9	48·8
Wood pulp exported	52·1	45·6	18·9	41·8	27·7	31·0

† Preliminary.

PHYSICAL VOLUME OF FORESTRY PRODUCTION

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	100·4	91·9	96·7	101·4	102·2	110·2	107·1	112·8	111·7	120·7	111·6	115·3
1939-40	120·2	112·6	120·6	114·2	126·4	130·7	139·3	128·7	127·6	142·4	125·4	135·5

*Seasonally adjusted.

LOGGING EMPLOYMENT

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	146·1	135·8	121·9	121·1	90·4	89·5	91·0	105·3	114·8	103·9	98·4	84·4
1939-40	81·3	71·0	126·4	134·0	111·5	92·1	133·5	166·2	181·9	164·1	156·4	129·2

* Seasonally adjusted index as at first of month.

FISHERIES

6. The Atlantic deep sea catch in 1939 was about 5 per cent greater than in 1938, but prices were lower due to a slackening in European demand so that the value of the catch was only about 2½ per cent higher. So far in 1940 events in Europe have kept changing the market situation, but during the early months of the year prices have been slightly higher than before the war. The normal export market for canned lobster has now been cut off by war restrictions and the dominion government has made provision for assisting in the disposal of the lobster catch. The British Columbia salmon pack in 1939 was somewhat smaller than the year before and of lower quality, but it was all marketed despite the war at somewhat higher prices than in the preceding year. The halibut catch this spring has been larger than last year, and prices received are slightly better.

FISHERIES

(Millions of Dollars)

—	Calendar Years					
	1926	1928	1932	1937	1938	1939
Gross Value of Production	73·1	70·7	33·7	51·2	53·2	55·8†
Salmon marketed (in above)	19·6	17·9	8·0	12·3	15·0	15·3†
Value of fish exported	36·0	36·3	18·5	28·0	25·6	28·0

†Preliminary.

MANUFACTURING

7. Production and employment in manufacturing have shown a substantial and general increase during the past fiscal year, and the average level of the production index for the year as a whole was higher than any year in the past. Activity in manufacturing increased very quickly after the outbreak of war, apparently reached an all-time peak in January and then receded slightly in the next two or three months. Unofficial information indicates that the expansion was resumed in May. The March-April figures for 1940 compared with those for 1939 show an expansion of 22·4 per cent in production and 14·9 per cent in employment in manufacturing as a whole.

Among the various manufacturing industries the most marked expansion has taken place in textiles for which the production index in March-April this year was more than double that of a year before. Many textile factories are now reported to be working at capacity. Steel production shows an expansion during the year of nearly 60 per cent. Much of this increase took place before the outbreak of war but was due in part to British armament demands. The expansion in food manufacturing reflects in part the increased exports of flour and bacon and also the increased domestic consumption of foodstuffs such as that of sugar.

Production in the automobile industry showed little change for the last fiscal year as a whole compared with the preceding one, and the figures for March-April are only about 5 per cent above those a year before. Restrictions imposed in export markets have offset the increased domestic sales of cars and the military demand for motor transports. Since the middle of March the Canadian automobile industry has received a number of substantial orders for military vehicles, however, and production in May reached a figure which was some 35 per cent above May of last year and represented the largest volume in any month since June, 1937.

INDEXES OF PHYSICAL VOLUME OF MANUFACTURING*
(1926=100)

—	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
MANUFACTURING OF ALL KINDS	101·1	117·5	70·8	117·6	119·8	108·4	125·6	108·5	132·8
Selected Industries—									
Foodstuffs	100·0	97·1	83·4	105·8	101·8	102·2	117·0	105·7	128·0
Tobacco	102·3	138·2	107·1	153·9	178·3	178·1	189·1	176·9	205·1
Boots and shoes	101·5	97·7	84·0	108·4	114·2	110·3	135·8	108·6	119·7
Textiles	101·6	103·4	71·9	123·3	128·4	108·9	152·7	104·9	226·3
Steel production	104·5	169·0	40·4	150·8	178·2	139·1	206·7	134·2	213·4
Automobile production	100·7	145·2	26·9	98·8	93·1	77·2	79·1	70·2	73·6
Crude petroleum (imports)	104·7	146·6	138·4	208·1	221·3	207·3	217·3	183·4	186·0

*Seasonally adjusted.

PHYSICAL VOLUME OF MANUFACTURING PRODUCTION
Monthly Index*
(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	103·2	104·7	103·5	101·3	100·9	114·2	113·2	125·3	111·3	111·1	105·0	108·5
1939-40	109·5	113·3	112·9	112·3	116·5	121·3	143·7	136·9	136·9	146·8	134·2	132·8

* Seasonally adjusted.

EMPLOYMENT IN MANUFACTURING
Monthly Index*
(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	111·7	109·7	110·2	109·5	107·5	110·6	109·0	109·9	111·3	111·3	110·0	108·6
1939-40	108·0	107·5	109·4	109·1	110·3	112·1	116·0	121·0	123·6	126·1	125·0	124·8

* Seasonally adjusted as at first of month.

[Mr. Ralston.]

CONSTRUCTION

8. Total construction during the fiscal year 1939-40, as indicated by contracts awarded, showed a small increase over the preceding year. This increase appeared both in residential and in other construction. In the period May to August preceding the war there was evidence of a recovery in private construction, both residential and business, and total contracts in this period had recovered half the ground lost in the recession from 1937 to 1938. After the outbreak of war there was a falling off in contracts other than residential, and some decline in residential contracts. Contracts for business and industrial construction began to increase about the end of the year and by March all major types of construction were showing substantial increases over the previous year. Total figures for the three months ending May 31 have not been exceeded since 1931, and this is true as well for all the major categories of construction except engineering work where in 1937 these three months showed a high figure.

During the fiscal year 1939-40 loans approved under the National Housing Act showed a substantial increase and reached a total of nearly $22,000,000 which was equal to almost a third of the value of all contracts awarded for residential construction during that year. Early in December it was announced that, in order to conserve the financial resources of the Dominion, loans under Part I of the Act would be restricted to a maximum of $4,000, and to single family houses, for applications received after December 31, 1939, and that the assistance by way of tax payment benefits under Part III of the Act would be restricted to buildings commenced before May 31, 1940. One effect of this announcement was to produce a rush of applications in December, and this shows up in the high figures for loans approved in January and February notable in the table below. Loans under the Home Improvement Plan have continued to increase and all months in the last fiscal year have shown increases over the corresponding months in the preceding year.

CONTRACTS AWARDED

(Millions of Dollars)

—	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Total Contracts Awarded	380·8	500·2	104·3	161·9	218·8	188·6	191·9	10·6	18·8
Residential	111·0	137·4	26·0	49·6	54·1	63·0	64·5	4·7	4·9
All other	269·8	362·8	78·3	112·3	164·7	125·6	127·4	5·9	13·9

MONTHLY INDEX OF CONTRACTS AWARDED*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	65·3	53·2	53·1	53·8	55·7	54·1	55·2	50·4	74·8	45·6	69·1	53·6
1939-40	54·3	53·0	64·1	56·2	64·9	52·9	42·6	41·7	64·8	53·0	68·4	87·1

* Seasonally adjusted.

LOANS APPROVED UNDER NATIONAL HOUSING ACT*

(Thousands of Dollars)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
1935-36	—	—	—	—	—	—	214	152	159	142	89	48	804
1936-37	432	281	698	690	518	424	372	301	450	407	317	506	5,396
1937-38	865	821	919	1,049	753	551	742	636	500	456	342	1,190	8,824
1938-39	832	1,496	2,097	1,707	1,031	1,241	1,269	1,740	1,241	646	763	1,542	15,605
1939-40	1,403	2,426	2,197	2,772	2,184	2,192	1,313	1,615	1,255	2,193	1,421	953	21,924
Grand Total													52,553

* Dominion Housing Act prior to August, 1938.

LOANS APPROVED UNDER HOME IMPROVEMENT PLAN

(Thousands of Dollars)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
1936-37	—	—	—	—	—	—	—	682	516	303	306	598	2,405
1937-38	1,240	1,606	1,592	1,342	1,146	1,206	1,185	916	613	377	367	533	12,123
1938-39	956	1,325	1,437	1,233	1,138	1,311	1,224	968	648	403	409	650	11,702
1939-40	1,099	1,950	1,902	1,786	1,878	1,653	1,245	1,014	716	487	480	670	14,880
Grand Total													41,110

RAILWAYS

9. Movement of the near-record grain crop and the heavy demands placed on transportation facilities with the outbreak of war were responsible for a level of railway operations during the period since mid-year of 1939 which was considerably higher than that of any recent years. This is graphically illustrated by the striking increase in net operating income for the March-April average of 1940 over that of 1939. Carloadings during the first eight months of war show an increase of 14·4 per cent over the similar period a year earlier.

RAILWAYS

	Calendar Years						Mar.-Apr. Av.	
	1926	1928	1932	1937	1938	1939	1939	1940
All Railways								
Operating Revenues (millions of dollars)	493·6	563·7	293·4	355·1	336·8	366·5*	25·4	30·2*
Net Operating Income (millions of dollars)	+49·2	+57·9	−62·9	−31·2	−55·0	−34·0*	+0·6	+4·0*
Carloadings (thousands of cars)	3,267	3,706	2,179	2,635	2,429	2,549	185	207
Railway Payrolls (millions of dollars)	260·4	287·8	181·1	193·6	195·1	200·0*	14·8	16·1*

* Preliminary.

MONTHLY INDEX OF CARLOADINGS*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	71·4	71·8	68·7	71·5	76·3	81·0	76·0	74·2	73·7	70·7	66·7	70·5
1939-40	69·2	81·1	71·3	76·8	82·0	95·6	80·0	84·0	82·6	86·7	83·1	79·0

* Seasonally adjusted.

FOREIGN TRADE

10. Total Canadian trade with the rest of the world, including net exports of non-monetary gold, was just under two billion dollars in the fiscal year ended March 31, 1940. Exports of merchandise increased by 16·8 per cent over the preceding fiscal year, while imports rose by 25·7 per cent. The relatively greater increase in imports resulted in a reduction of about 2 per cent in the net export balance, including net exports of non-monetary gold.

Although our foreign trade was moving upward prior to last August, the war produced an immediate stimulus to both exports and imports, so that trade during the war period showed a substantially greater proportionate increase than that of the fiscal year. Exports of merchandise in the eight months ended April, 1940, were 23·9 per cent greater than in the same period of the previous year, while imports of merchandise were 48·9 per cent greater. During this period as compared with the same period a year before our merchandise exports to the United States increased by 47·5 per cent and to the United Kingdom by 19·5 per cent, while imports from the same countries increased by 62·6 per cent and 13·2 per

cent respectively. Exports to the United States showed their most marked advance during the first four months of the war when American business was expanding rapidly, while exports to the United Kingdom have shown their substantial increase since the beginning of 1940. Imports from the United States, however, have continued at a high level since the beginning of the war.

Commodity exports which showed notable gains in the war period over the same period of the previous year, and the percentages by which they increased, were as follows: Wheat flour 77 per cent, meats, chiefly bacon and ham 66 per cent, wood pulp 56 per cent, wheat 54 per cent, asbestos 46 per cent, planks and boards 35 per cent, cheese 33 per cent, and paper 22 per cent.

FOREIGN TRADE

(Millions of Dollars)

—	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Merchandise Exports (all gold excluded)	1,260·7	1,376·5	476·9	991·1	991·2	841·6	983·4	60·5	84·1
Net Exports of Non-Monetary Gold†	34·8	36·5	70·7	137·3	147·7	167·5	188·0	13·0	17·1
Total Exports, including Non-Monetary Gold	1,295·5	1,413·0	547·6	1,128·4	1,138·9	1,009·1	1,171·4	73·6	101·2
Merchandise Imports (all gold excluded)	1,030·9	1,265·7	406·4	671·9	799·1	658·2	827·4	50·1	81·3
Total Trade	2,326·4	2,678·7	954·0	1,800·3	1,938·0	1,667·3	1,998·8	123·7	182·5
Export Balance	+264·6	+147·3	+141·2	+456·5	+339·8	+350·9	+344·0	+23·5	+19·9
Merchandise Trade by Countries (all gold excluded)									
United Kingdom—									
Exports	448·0	431·7	185·1	406·8	407·8	326·9	364·0	21·6	38·9
Imports	163·9	194·0	86·5	129·5	145·0	115·6	119·5	8·8	12·4
Other Commonwealth Countries—									
Exports	94·3	107·0	38·2	88·2	108·7	103·5	106·2	7·4	8·8
Imports	50·2	63·4	33·9	68·7	88·2	65·1	85·1	4·0	7·3
United States—									
Exports	472·5	508·9	144·7	364·4	343·3	288·5	399·9	23·5	28·6
Imports	687·0	868·0	232·5	393·7	487·3	412·5	554·1	33·4	55·6
Other Countries—									
Exports	245·9	328·9	109·0	130·8	130·0	122·7	113·3	8·0	7·8
Imports	129·8	120·3	53·5	80·0	78·6	65·0	68·7	3·9	6·0
Principal Commodity Exports									
Non-Monetary Gold†	34·8	36·5	70·7	137·3	147·7	167·5	188·0	13·0	17·1
Paper, chiefly Newsprint	123·2	148·4	77·2	117·8	129·9	115·0	129·4	8·8	12·2
Wheat and Wheat Flour	421·8	493·6	147·5	245·0	139·5	100·3	140·9	3·7	9·0
Copper and its Products	14·9	28·0	12·3	40·2	57·3	53·9	53·6	4·6	4·5
Nickel	12·9	23·9	7·5	45·9	61·9	49·6	57·9	4·7	5·4
Planks and Boards	59·8	47·7	11·1	40·3	43·7	37·1	50·5	2·9	3·8
Meats	29·4	19·2	6·7	36·1	41·4	35·3	45·0	2·7	5·6
Wood Pulp	49·9	44·9	17·8	33·2	40·0	26·8	35·7	2·2	3·9
Automobiles and Parts	36·4	45·4	7·8	22·3	28·3	25·3	23·3	2·0	1·4
Fish	34·5	34·9	16·6	25·1	26·3	25·6	27·9	1·7	2·0
Fruits and Vegetables	18·7	12·0	11·4	13·6	16·6	20·2	22·5	0·7	1·6
Milk and its Products	41·6	35·8	11·7	14·4	17·7	17·6	18·7	0·6	1·0

†Adjusted for earmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.

EMPLOYMENT AND UNEMPLOYMENT

11. The general index of employment registered a gain of 4·4 per cent during 1939-40 over the previous fiscal year. Although in the early part of 1939 employment was at levels considerably below those of the preceding year, it rose gradually with increased business activity and since June each month has shown a substantial increase over the same month of the year previous. The May 1 figure this year at 118·7 for the general index was about 7·6 per cent higher than the same date in 1939 and was higher than any other May except that of 1929. Greatly increased employment in manufacturing, logging, mining and transportation contributed to this upward movement. The index of employment in con-

struction and maintenance has recently been at levels considerably below those of a year ago owing to curtailment of expenditure on highway construction and maintenance; other branches of construction have shown increases.

The improved employment situation is reflected in the lower number of persons in receipt of relief. In each month since November, 1939, both the numbers of employable unemployed and of all persons on relief have shown a considerable reduction from the same month of the previous year. Preliminary figures for April, 1940, show a decrease of 25·2 per cent from April, 1939, in the total of relief recipients, and a decline of 11 per cent from the same month in the number of employable unemployed. The number of wage-earners unemployed in April, 1940, was estimated by the Bureau of Statistics to be about 367,000, as compared with 473,000 in April, 1939, a decrease of about 22·5 per cent. This 367,000 includes a considerable but unknown number of enlisted men who were formerly unemployed.

EMPLOYMENT INDEXES

(1926=100)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939*	1940*
All Industries	100·8	113·7	84·4	104·4	115·7	110·9	115·8	111·0	118·3
Manufacturing	100·8	112·7	81·8	104·7	115·5	110·0	116·1	108·6	124·8
Logging	100·2	116·6	42·7	153·4	201·6	107·4	130·2	84·4	129·2
Mining	101·2	115·5	97·2	140·7	155·2	157·4	165·4	163·3	170·1
Transportation	100·4	106·7	82·7	84·6	85·2	84·3	86·5	85·0	88·3
Construction and Maintenance	101·4	120·2	77·1	83·5	104·0	110·0	103·3	128·6	79·6
Trade	100·8	118·2	114·4	128·4	132·5	133·4	137·9	132·4	140·6

* Seasonally adjusted as at first of month.

EMPLOYMENT—ALL INDUSTRIES

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	111·2	111·5	111·9	111·4	109·0	110·6	111·0	109·7	111·3	111·3	110·6	111·0
1939-40	111·1	110·3	113·1	113·6	114·3	115·0	115·8	118·3	119·8	120·7	118·8	118·3

* Seasonally adjusted as at first of month.

EMPLOYABLE UNEMPLOYED IN RECEIPT OF MATERIAL AID

From the National Registration—Department of Labour

(thousands)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
1938-39	169	154	138	132	124	115	124	143	162	181	191	192	152
1939-40	187	169	149	141	142	125	125	133	147	164	170	173	152

ALL PERSONS IN RECEIPT OF MATERIAL AID

From the National Registration—Department of Labour

(thousands)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
All Persons—													
1938-39.....	1,024	956	885	836	758	554	641	787	896	977	1,019	1,028	863
1939-40.....	1,005	923	839	806	803	539	544	586	629	714	753	773	743
AGRICULTURE—													
1938-39.....	392	380	364	339	287	109	168	252	292	321	321	323	295
1939-40.....	319	297	282	271	258	50	60	78	73	96	112	124	168
URBAN—													
1938-39.....	632	576	521	497	471	445	473	535	604	668	698	705	569
1939-40.....	686	626	557	535	545	489	484	508	556	618	641	649	575

WAGE EARNERS UNEMPLOYED*

Estimated by Dominion Bureau of Statistics

(thousands)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
1938-39.....	437	400	387	407	368	346	378	398	472	485	491	494	421
1939-40.....	473	395	369	352	332	300	283	296	364	377	387	391	360

* Beginning with Sept. 1939, includes a considerable number of enlisted men who were previously unemployed wage earners.

PRICES

12. The gradual decline of wholesale prices which had marked the latter part of the fiscal year 1938-39 continued up until August of 1939, and the index reached a low point of 72·4 in that month. During the economic adjustments that took place in the month or two immediately following the outbreak of war, and in considerable part due to such factors as exchange movement, higher ocean freight and insurance rates, and forward buying both by consumers and producers, wholesale prices of some commodities rose fairly steeply, particularly those of certain imports and exports, including grains and animal products. The total index rose to 79·3 in October, i.e., by about 10 per cent in two months. From that point on to March the rise was more gradual and the index reached a peak of 83·2 in that month. This rise showed up mainly in a further increase in grain prices and in textile prices. Since March there has been a slight decline largely due to lower prices for animal products and grains, and the index for the week ending June 7 was 81·9.

It may be of interest in wartime to note that prices of fully and chiefly manufactured goods have followed very closely the movements of the general index, and that the index of the group "iron and its products" has risen by only about 5 per cent since August while the group "producers' equipment" has increased less than 2 per cent. It may also be worth noting that the index of our export prices had risen by about 24 per cent, and that for imports about 17 per cent between August and April.

During the six months before the war the cost of living remained at the low level to which it had declined in the latter part of 1938. Increased cost of food and, to a much lesser extent, of fuel, caused a rise of about 2 per cent in the index in the first two months of war. Since that time only minor changes have occurred in the total index. Increases in the cost of clothing early in 1940 were offset by some reduction in the cost of food. The latest figure shows an increase of only 3 per cent over that of a year ago.

While no official indexes of wage rates exist except on an annual basis, other information indicates that there have been numerous increases in wage rates, particularly in those trades where there is already some evidence of a shortage of skilled labour.

PRICES

Indexes

(1926=100)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Wholesale Prices	98·8	95·8	65·5	77·2	84·6	76·0	77·8	73·3	83·1
Consumer's goods	98·5	95·2	70·4	75·7	79·7	76·1	77·9	74·1	82·7
Producer's goods	99·0	95·9	61·3	76·4	85·5	72·1	73·2	68·2	80·2
Export prices(†)	100·0	94·2	54·9	71·3	81·1	65·9	66·6	60·8	74·0
Import prices(†)	100·0	96·1	70·5	82·1	89·0	82·2	87·7	80·7	94·2
13 sensitive manufacturing materials	96·3	87·6	36·6	61·0	62·5	49·8	61·4	51·0	67·6
Retail Prices	99·5	98·9	71·3	73·9	79·0	78·7	79·1	77·4	81·4
Cost of Living	99·6	98·9	79·9	81·2	83·6	83·8	84·1	83·1	85·6

† For the fiscal years 1927, 1929 and 1933 figures for nearest calendar years are given.

MONTHLY INDEX OF WHOLESALE PRICES

(1926 = 100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	82·3	80·3	80·1	78·6	76·0	74·5	74·1	73·5	73·3	73·2	73·2	73·3
1939-40	73·4	73·7	73·3	72·6	72·4	78·2	79·3	80·3	81·7	82·6	82·8	83·1

MONTHLY INDEX OF COST OF LIVING

(1926 = 100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	84·2	84·2	84·1	84·2	84·9	84·1	83·9	83·8	83·6	83·3	83·1	83·1
1939-40	83·1	83·1	82·9	83·1	83·0	82·9	84·7	85·0	85·3	85·1	85·2	85·6

FINANCIAL FACTORS

13. The outstanding facts relating to financial conditions during the past year are, firstly, the changes in exchange rates and the imposition of exchange control, secondly, the smooth working of our credit and monetary machinery and, thirdly, the disturbances, caused to security markets by various developments in the war.

The foreign exchange value of the Canadian dollar remained close to the United States dollar until about a week before the outbreak of war. Between August 24 and September 15 it fell to a discount of about 10 per cent. On September 15 the Foreign Exchange Control Board was established and after that date all sterling and foreign exchange transactions of Canadian residents were subject to its control. The official rates established by the Board were: American dollars, buying rate, $1.10, selling rate $1.11; Sterling, buying rate $4.43, selling rate $4.47. These official rates closely approximated the actual rates prevailing during the few days prior to control, and have not been changed since they were established. Practically all dealings involving Canadian dollars take place at these official rates. Non-residents of Canada are able to transfer Canadian bank balances and other assets to other non-residents, and there is a market for Canadian dollars in New York which is not subject to control by the Foreign Exchange Control Board. The small volume of transactions in this market makes its rates of little significance and also makes them rather unstable.

During the early months of the fiscal year 1939-40 the average yield on long-term Dominion Government bonds remained close to 3 per cent. In the disturbances that naturally took place on security markets at the time of outbreak of war bond prices declined sharply and the average yield on long-term dominion bonds in September was about 3·60 per cent. From September to April there was a rather

irregular recovery in the prices of these bonds, and by the end of April the yield was back down to 3·25 per cent. Since that time there has been a small decline in price, and yields during the first half of June have been in the neighbourhood of 3½ per cent. Canadian stock prices declined moderately in the weeks preceding the outbreak of war. After the war began industrial share prices rose sharply, particularly those of pulp and paper companies. Golds and utility stocks also began to rise before the end of September, and there was a general but mild upward movement till the end of the year. During the first four months of 1940 all groups except the paper stocks suffered a small and gradual decline. In May, however, there was general and severe liquidation which carried most groups to levels lower than any in recent years.

During the first five months of the fiscal year 1939-40 monetary and banking conditions remained stable. Cash reserves of the Chartered Banks increased slightly from $257 millions in March to $261 millions in August, while Canadian deposits of the banks increased in proportion. During the three months after the outbreak of war the Bank of Canada added substantially to its security holdings which increased from about $163 millions in August to $248 millions in November. This provided cash to meet the enlarged public demands for currency and to increase the cash reserves of the Chartered Banks from an average of $261 millions in August to an average of $294 millions in November. With this increase in their reserves the Chartered Banks were enabled to increase their Canadian deposits from $2,565,000,000 at the end of August to an all time record figure of $2,871,000,000 at the end of November. In these three months the security holdings of the Chartered Banks rose by $158 millions, and their current loans to the public by $147 millions. From November until April the Bank of Canada gradually reduced its security holdings from $248 millions to $206 millions. The cash reserves of the Chartered Banks have fallen in the same period from $294 millions to $271 millions. Total Canadian deposits of the Chartered Banks have been reduced less than in proportion and at the end of April amounted to about $2,753,000,000. This has involved a reduction of the security holdings of the Chartered Banks of about $73 millions, which is a little less than half their increase last fall.

Total net Government and corporate bond issues in 1939, as reported by the Bank of Canada, amounted to about $237 millions, exclusive of municipal issues. This compares with $174 millions, $56 millions and $106 millions in the preceding three years. The $237 millions included net Dominion direct and guaranteed and other C.N.R. issues amounting to $177 millions, Provincial issues amounting to $79 millions and net retirements of corporation issues of $20 millions. In the first quarter of 1940 there have been net Dominion and C.N.R. issues of about $168 millions and net Provincial issues of about $40 millions.

On April 30, 1940, an order in council was passed requiring all Canadian residents to sell their holdings of foreign exchange (but not of foreign securities) to the Foreign Exchange Control Board before May 31. Some exemptions were made for those requiring a certain amount of foreign exchange to carry on their normal business. As part of this mobilization of foreign exchange resources the gold and most of the foreign exchange reserves of the Bank of Canada were transferred to the board. In order to provide the board with the funds to purchase this gold and foreign exchange, the Exchange Fund was increased by $325,000,000, which was raised by the sale to the Bank of Canada of that amount of short-term Dominion securities. As a consequence of these operations the statements of the Bank of Canada since May 1 show no figures for gold coin and bullion, and much larger figures for investments. The value of gold held by the Bank on April 30 was $225,772,887.41.

FINANCIAL FACTORS

—	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Security Prices and Yields									
Indexes of Common Stock Prices (1926=100)									
General Index	101·8	173·3	52·1	125·5	117·6	103·8	99·4	99·9	98·0
Industrials	102·4	222·2	60·1	207·6	192·2	171·8	163·0	164·5	157·0
Gold Mines	—	94·1	59·0	132·0	112·7	118·8	107·9	114·1	96·1
Dominion Bonds—Average Yields (%)	4·82	4·64	4·90	3·29	3·32	3·09	3·26	3·03	3·30
Dominion Treasury Bills—Average Yield (%)	—	—	—	·778	·739	·601	·702	·650	·745

FINANCIAL FACTORS—*Concluded*

—	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Banking and Currency (Millions of Dollars)									
Bank of Canada—									
Total Reserves	—	—	—	194·8	206·0	217·5	267·0	236·4	284·6
Total Security Holdings	—	—	—	135·8	166·6	179·5	200·2	160·3	206·9
Active Note Circulation	—	—	—	70·6	95·9	107·8	140·5	108·3	152·7
Government Deposits	—	—	—	23·1	23·7	24·0	39·3	19·8	47·7
Chartered Banks' Cash Reserves	—	—	—	230·6	243·1	259·5	270·8	258·6	269·9
Chartered Banks—									
Canadian Deposits	1,978·0	2,274·0	1,929·0	2,280·1	2,390·6	2,487·0	2,697·0	2,544·5	2,743·5
Notice Deposits	1,355·7	1,507·0	1,378·3	1,530·6	1,584·7	1,649·6	1,700·1	1,698·7	1,666·3
Demand Deposits	557·8	682·4	473·1	646·0	684·0	705·0	764·1	710·4	791·0
Total Security Holdings	517·8	517·0	726·2	1,370·3	1,430·7	1,450·5	1,577·5	1,503·9	1,595·4
Current Loans in Canada	957·7	1,212·9	997·9	685·6	744·1	799·4	899·7	807·3	959·2
Call Loans in Canada	145·5	260·1	109·0	104·0	94·3	64·5	52·6	55·0	52·9

On motion of Mr. Harris (Danforth) the debate was adjourned.

UNEMPLOYMENT RELIEF

ALLEVIATION OF UNEMPLOYMENT AND AGRICULTURAL DISTRESS—UNDERTAKINGS IN GENERAL INTEREST AND FINANCIAL ASSISTANCE TO PROVINCES

The house resumed from Friday, June 21, consideration in committee of Bill No. 42, to assist in the alleviation of unemployment and agricultural distress — Mr. McLarty — Mr. Fournier, (Hull), in the chair.

On section 3—Agreements with provinces and others.

Hon. N. A. McLARTY (Minister of Labour): Mr. Chairman, may I take this opportunity to make a brief statement? On Friday last the hon. member for Lake Centre (Mr. Diefenbaker) referred to the estimate of expenditures on direct relief for this year, and compared it with the amount allocated last year. I told him at the time that the estimate was predicated on figures supplied by the municipalities to the provinces, which in turn were passed on to us. In this connection I should like to give such information as I have available.

As I pointed out previously, our contribution of forty per cent will remain unchanged in Saskatchewan, and our estimate is necessarily based upon figures supplied by the municipalities to the province, and by the province to us. I know the committee will appreciate the difficulty of making a definite estimate, more especially for Saskatchewan, where so much depends on weather conditions. Of course we will maintain the forty per cent ratio, even though it may require the payment of an amount somewhat larger than we at present estimate. Last year the total payment to Saskatchewan by the Department of Labour, representing the 40 per cent contribution to direct relief, amounted to $2,645,729.29. On January 11 of this year Saskatchewan suggested the closest estimate they could make would be $2,665,000, based on the forty per cent contribution arrangement. This included a small amount, not exceeding $40,000, for a provision in the agreement under which the dominion government pays fifty per cent of the cost in respect to persons who have no provincial residential qualifications.

Under date of April 16 the provincial director of relief advised the Department of Labour as follows:

> We have already experienced a very substantial improvement in relief conditions due to improved crop conditions and the resultant improvement in economic conditions generally. I feel that further substantial reductions in relief costs will be possible in the next two or three months, but from that point on it is most difficult to make any forecast because the crop harvested next fall will determine, to a great extent, the extent of our relief requirements.

And again:

> I may say for your information that we have had some heavy snow falls recently that have greatly improved moisture conditions all over the province, and while we are experiencing a very late spring, conditions now look fairly promising.

Since then the forecasts for the early months of the year have been fully substantiated; for example, in April and May of the current year the number on urban relief in Saskatchewan was down 44 per cent as compared

with the same months in 1939. The number on agricultural relief decreased by about 65 per cent in comparison with last year. This will necessarily involve corresponding reductions in relief costs.

With the factors I have mentioned as to the uncertainty of weather conditions and the information from the province as to the wide reduction in the numbers in receipt of direct relief, the closest estimate that the department can make as to the amount which will have to be paid to the province of Saskatchewan in the current year is approximately $2,000,000.

Mr. GILLIS: Mr. Chairman, while the bill was in the resolution stage I endeavoured to give the Minister of Labour (Mr. McLarty) a picture of conditions as they existed in Nova Scotia at that particular time, and which made the payment of relief necessary. I want to make a few remarks on section 3 of this bill, which deals specifically with the agreements which are to be made between the federal government and the provinces.

Relief in Nova Scotia has been practically discontinued from March 31. My reason for rising at this time is to refer to a letter which I received from one of the town councillors of Glace Bay. This municipality is faced with a potential unemployment problem. At present there is a considerable number of unemployed in the town. This gentleman enclosed with his letter a press statement which had been given by the mayor during a recent meeting of the town council. I should like to quote from that press statement, as follows:

The request that R. H. McKay, deputy minister of labour, come here as soon as possible to confer with the council on the relief situation and get something arranged early was made at the town council last night after the mayor had read a letter from Mr. McKay stating that no more direct relief aid might be received from the federal government.

Mr. McKay's letter said that no assistance had been received from the federal government from April 1 and if there was none coming the provincial government would be unable to assist and the whole burden of direct relief would be placed on the town.

And further down:

In March there were 196 heads of families with 559 dependents and 73 other individuals on direct relief, three per cent of the population.

Some decision had recently been made by the federal government on direct relief, Mayor Morrison stated, but no agreement had yet come forth. Unless some aid came soon the end was in sight as the town couldn't hope to carry on the burden alone.

In other places there was a great deal of war work going on but the war had made no improvement here; in fact it was worse here now than at this time last year.

I know that statement is true. There are two mines in this district which are gradually being closed. The ranks of the unemployed are being added to weekly, and there are no war industries being carried on. As a result, unemployment in this particular section is increasing. I received a letter this morning from the secretary of the United Mine Workers of America, an organization which represents 12,000 miners in Nova Scotia. He asks me to bring the situation to the attention of the Minister of Labour, since it is something which directly affects that department. It also dovetails into the question of unemployment relief. I may say that this morning I took the matter up with the deputy minister of the department and was informed that the situation described in this letter is true. There has been no change since the letter was written on June 21, 1940. It is addressed to me and reads:

This is for your information, and I hope you will bring to the attention of parliament the difficulty we in Nova Scotia are having in getting a conciliation board appointed.

On May 3 we made application for a conciliation board for the employees of the Old Sydney Collieries Limited at Sydney Mines, and the employees of the Acadia Coal Company at Stellarton, who are members of district No. 26, United Mine Workers of America. On May 6 we received the following reply:

He then quotes a number of telegrams which passed back and forth between the mine workers and the Department of Labour. I shall not take the time to read these, but will quote further from the letter:

You will note by these telegrams that Mr. Forsythe and Mr. Muise were appointed June 3. After Mr. Muise was notified of his appointment, he immediately got in touch with Mr. Forsythe and submitted the names of eight persons, prominent Nova Scotians, any one of whom he would be agreeable to act as chairman of the board. Mr. Muise was in telephone conversation with Mr. Forsythe, and Mr. Forsythe would not agree to any one of these men. He gave no reasons for not agreeing, neither did he submit any names himself. Since that time we are awaiting the appointment of a chairman.

The men effected are complaining to the executive officers continuously, asking why the board is not functioning, and it is hard for the district officers to make them believe that it is being held up on account of the appointment of a chairman. This slowness of action is having a very bad effect here. You know the wages these men are receiving, both in the Sydney Mines and Acadia districts, and they have been working for a considerable period without a contract. No action can be taken until the conciliation board has first heard their case. I have already explained to you details in connection with the application we made for a board for the Sydney and Louisburg railway.

I trust you will bring this to the attention of the Minister of Labour, for if boards are to have the desired effect in Nova Scotia they

must be able to function more promptly than in this case where application was made on May 3 and up to June 21 no notification of the board having been set up was received; that is, up to date, no chairman has been appointed to act in this capacity.

Mr. Muise, our representative on the board, carried out his part and submitted the names, while the company's representative did not submit any names and gave no reason for his not accepting any of the men whom Mr. Muise was willing to accept. The following are the names of men whom Mr. Muise submitted, any one of whom would be acceptable to him as chairman of the board.

Mr. McLARTY: I do not think my hon. friend should read those names. If as Minister of Labour I am to act upon a recommendation by Mr. Muise as to various representatives on the board, then the names should not be known.

Mr. GILLIS: The names which Mr. Muise submitted?

Mr. McLARTY: I do not think it would be fair to tell me that, let alone make it known to the committee. If with that knowledge I selected one of those names, the operators might contend that I did so because I had been asked to do it. I have been very careful in selecting the chairman of a board, where a chairman cannot be agreed upon.

Mr. GILLIS: That is the point at issue. The operators absolutely refuse to accept any of these men.

Mr. McLARTY: That, of course, is their privilege. The operators do not have to make a selection from some panel that is submitted by the local union, and on the other hand the union does not have to make a selection from some panel submitted by the operators. If they can agree upon a chairman, very well; if they cannot agree, it is my duty as Minister of Labour to appoint a chairman.

Mr. GILLIS: The point Mr. McKay had in mind in writing was that the application has been pending now for two months, and the workers' contracts have expired.

Mr. McLARTY: I understood the hon. member to say May 23?

Mr. GILLIS: Yes, and this is the latter part of June. Their contracts expired eighteen months ago. It is felt that the operators in Nova Scotia are taking advantage of the war and the men's desire to continue at work, instead of using their only weapon, which is the strike, and that the operators are simply dragging this thing along. There is absolutely no reason why the names that have been submitted should not be acceptable. They are the names of lawyers and judges, not connected with labour in any shape or form. One of them, in fact, is a coal company official. There is no reason why the operators should take this attitude. Their refusal to accept a chairman simply means that the thing is dragging along and they are keeping wages where they are as long as they possibly can, taking advantage of the war situation. What Mr. McKay is afraid of, and what I am afraid of, is that the miners in these two sections are going to be forced into a false position through being compelled to strike regardless of the war.

Mr. McLARTY: Has the board not been set up? Is it not merely awaiting a chairman?

Mr. GILLIS: It has taken since May 3 to decide upon a chairman, and I think it is prettly nearly time for the Department of Labour to select a chairman.

The ACTING CHAIRMAN (Mr. Fournier, Hull): The hon. member is out of order. We are discussing section 3, which concerns agreements with provinces and others.

Mr. GILLIS: The reason why I brought this matter up was that by reason of the dispute the miners of these two sections may be on the government's hands, unemployed, if something is not speedily done. I am through with that subject, Mr. Chairman.

Another matter which I wish to bring to the attention of the Minister of Labour is unemployment among the fishermen of Nova Scotia. There are approximately 40,000 fishermen in our province, and the fisherman can very well be termed the forgotten man. Almost every phase of our economic life is discussed in practically all groups where any talking is done, yet the fisherman is seldom mentioned. I know that the federal government is assisting in the establishment of cooperatives. It has made a generous gesture in that connection which is appreciated very much, but on the whole the plight of the fisherman is deplorable. What I am concerned about is the contributing factors which put the fisherman in this plight, because, apart from direct relief, there are measures which could be taken that would be of material assistance to the fisherman.

In the town of Glace Bay, for example, a man whose earnings are $200 or $300 a year is practically on relief 365 days a year. The harbour at Glace Bay is in such a condition that it is retarding the fishing industry of that town. The harbour master of Glace Bay has written me a letter in which he sets out the facts. But first let me say that if the fishermen in that section do not receive assistance in the form of harbour improvements this season, the chances are that the harbour will have to be closed. Considerable correspondence

with regard to the matter has been carried on with the Department of Public Works, but apparently nothing has been done. I should like to read this letter from the harbour master. He starts by wanting me to take a look at Glace Bay harbour. He says:

> This harbour, the most eastern in all Canada, is directly on the Cabot strait and the easiest to make of any harbour on the east coast. It is 97 feet wide and 1,000 feet long, with wharf facilities of 400 feet on its north side.
>
> At this date the entrance channel is less than 9 feet deep at low water. Our tides are never more than 3½ to 4 feet. The channel needs dredging. The bottom is muck, and the whole harbour could be deeped to 15 feet in two or three weeks' dredging.

He goes on to speak of the lobster season, and then has this to say of the swordfishing season, which is more important.

> The swordfishing season commences about the middle of July, when an average of 150 boats made this harbour their headquarters. Large collection boats follow the swordfish catch and need 13 to 15 feet of water.

With a channel only 9 feet deep at the present time, these boats are not going to be able to use the harbour. He goes on to say that some 100 Newfoundland two-masted fishing schooners as well as lumber vessels and produce vessels also use this harbour, and he continues:

> If the harbour is not dredged at once it may have to be abandoned for 1940.

That is a serious situation facing the fishing industry in that section, where a fleet of 400 vessels are now outfitting to fish on the adjacent banks. He goes on to point out the possibilities for the fishing industry in that section by reason of European fishing being disrupted by the war. It should be possible to assist in the development of this fishing industry and enable it to take care of markets which now cannot be supplied from the other side of the Atlantic, where the war has disrupted the fishing industry.

I also wish to speak of conditions at Port Morien. I have received a complaint from there, and if the matter complained of were remedied it would help to relieve unemployment. About 150 boats go out of Port Morien district. A factory is established there and a certain amount of lobster fishing is done. The man who owns the factory will also buy fish of all kinds, but he has no storage facilities. According to my information, application has been made on two or three occasions for permission to establish a fish shed on the breakwater at Port Morien. At the present time men in that section lose two or three days' fishing a week because there are no storage facilities there. If permission were granted to establish a fish shed on the breakwater, these fishermen could get three or four days' fishing a week after the lobster fishing is over, instead of having to stay at home and seek relief.

These factors, all of which enter into unemployment, are matters which the Department of Labour should check up on, in order that, if at all possible, by the government providing the facilities which are required, these men would be able to carry on fishing operations. The fishermen in this way would be kept off direct relief, which is something they do not want if work can be had. I am sure that action by the department would help to relieve the situation in the different places I have mentioned.

Mr. FRASER (Peterborough West): I understand that dependants of people interned receive relief on a higher scale sometimes than Canadians on relief. Can the minister say whether that is the situation or not?

Mr. McLARTY: I have no definite figures before me because the internment camps do not come under my department. We have to do with direct relief, but I shall be glad to make inquiry. I should be very much surprised if it were true, but I cannot answer the question offhand.

Mr. FRASER (Peterborough West): I was informed over the week-end that the dependents of some of the Italians and Germans were receiving relief, and, in some instances, more than Canadians were receiving.

Mr. McLARTY: I shall be glad to look into that.

Mr. DOUGLAS (Weyburn): Those of us who come from Saskatchewan are glad to have the clear statement which the minister made this afternoon with reference to the situation in that province, because we have been considerably perturbed about it, and an impression has gone abroad to the effect that the federal government had actually intimated that there would be a reduction. The Minister of Agriculture (Mr. Gardiner) used the phrase the other day that between the federal, provincial and municipal bodies there was "considerable passing of the buck", and probably that is the best description which can be given of what has actually occurred. The minister then made this statement:

> The municipality is the first authority upon which is placed the responsibility of saying whether or not there is going to be any further relief. For that very reason the municipality is ask to pay 20 per cent of the cost of relief. Somebody, some time, has to begin to stop it; after the municipality has had its say, the province has its chance, and this government, as well as the previous government, has in most instances accepted the statement from the municipality, . . .

While on paper that may be what ought to happen, it is not what happened. It is true that when application is being made for relief, the person desiring relief goes to the municipal authorities; they in turn make application to the provincial government; and they in turn to the federal government. But when relief is stopped, its cessation is not instituted by the municipal body. In fact every day there come to my desk, and no doubt to those of other hon. members, letters from reeves of municipal councils pointing out that when a meeting is held the provincial relief officer merely intimates to them that they will have to cut down the orders a certain percentage this month. In some instances it has been intimated to them that the government will not be able to pay the councils anything in a certain month. The initiative does not lie with municipal councils. They are merely told what the pattern is for the particular month and they have to cut their cloth accordingly. There may be a reason for that. Probably the provincial government has only a limited amount of money which it can spend for relief in the particular month. But I think it is an erroneous impression to give that the municipal body decides that relief will be cut and so notifies the provincial government, and they in turn the federal government.

Regarding the minister's statement to-day, and in view of the stand which, I know, most of these municipal bodies have taken—for the fact of the matter is that the reductions which have occurred in Saskatchewan have to a large extent been the result of the financial condition of the province—I am convinced that the minister's statement will be welcomed when he says that the federal government will be prepared to continue to pay forty per cent, as they have done in other years, and that, contrary to what was feared, no maximum limit will be set.

Could I now ask the minister, unless the question would more appropriately come under the next section, whether the government has decided to abandon the farm placement scheme? It has not been used this year. Has it been decided to abandon it completely?

Mr. McLARTY: I do not believe there has been any definite decision upon that. Negotiations with the provinces have been continuing; I cannot advise definitely what state they are in; but there is no intention of abandoning the scheme.

Mr. DOUGLAS (Weyburn): It was not in operation this last year.

[Mr. T. C. Douglas.]

Mr. McLARTY: I believe that was because certain provinces were content not to have it this last year.

Mr. CASTLEDEN: Speaking to this measure, one reason I have for rising is that the other day the hon. member for Wood Mountain (Mr. Donnelly) accused me of having made some statements which insulted certain people. I rose at the time to ask him a question and to request him to read the statement which I made, but he would neither read the statement nor permit the question. If he will read what I said he will find that I merely repeated a story which had been told, to illustrate the fact that it might be possible for a person in gaol to receive better medical attention than a poor person who was unemployed. I did not insult the medical profession. I wish to pay tribute to that profession and, in particular, to those noble men who have remained in the drought-stricken areas along with the teachers and farmers, and fought on. I paid particular tribute at that time to the work for the prevention of tuberculosis in Saskatchewan. I believe that this work should be continued and spread across Canada, and that preventive work should be applied not only to tuberculosis but also to other diseases. There are many thousands of cases which, although not so acute as to require an immediate operation, call for preventive treatment, and the absence of it occasions much needless suffering.

With further reference to this measure, I wish to endorse the suggestion of the hon. member for Lake Centre (Mr. Diefenbaker) that there should be some federal supervision of the administration of this money. If the dominion government is making a forty per cent contribution to a province, I believe it is only just, and in conformity with the wishes of every hon. member of this committee, that we should know that that money is being properly distributed.

I should like also to endorse what the hon. member for Weyburn (Mr. Douglas) has said this afternoon. I am in receipt of a communication from the reeve of a municipality in the constituency of Yorkton, in which he states that all provincial assistance for relief for indigents was being cut off as from the end of April, 1940; and, he was instructed, henceforth the responsibility for this relief would have to rest entirely with the municipality. Hundreds of municipalities in Saskatchewan are absolutely bankrupt. Many mortgages are being foreclosed and the owners thrown off their farms; there is no hope

for them except in the way of relief, and if relief is cut off I do not know what the results will be.

I was pleased to hear this afternoon that the minister through his department intends to make grants, based upon the requests which come from the provincial government and from the municipalities. I hope that the discrepancies which have occurred in the past will not occur again.

Mr. HANSON (York-Sunbury): I have not intervened at any great length in this debate. But as it is now the 23rd of June, and about half the calendar year has expired, surely the provinces must have made their representations for relief for the remaining period of the fiscal year and the remaining period of the calendar year. If such is the case, would the minister be good enough to place on the record, at some time before this bill passes out of the committee stage, a statement of just what the provinces propose for this year? I have in mind my own province. As he is aware, we have no registered direct relief there, but do not let him or any other hon. member think for a minute that there is no occasion for some direct relief.

Mr. McLARTY: My impression is that the province of New Brunswick in some instances gives grants in aid to the municipalities, but we do not make any contribution.

Mr. HANSON (York-Sunbury): I am coming to that. The province just arbitrarily cut off what is known as direct relief, but by force majeure they were compelled to give certain municipalities grants in aid for cases of needy persons; it had to be done. I am not so much opposed to municipal responsibility in cases where the municipalities are able to support the burden themselves, because it is left immediately on their doorstep and they must take care of the situation. But there are certain municipalities in New Brunswick which just cannot do that. I have in mind the county of Northumberland. Before the depression the county had a bonded debt of $28,000, a mere bagatelle for a county of that size. To-day their bonded debt is so large, and almost entirely for relief, that they cannot borrow another cent and cannot collect taxes. Conditions on the Miramichi river have been so bad that the municipality cannot collect fifty per cent of the taxes, with the result that it is unable to carry on direct relief. There has been no default, because the provincial treasury has come to their rescue. It has had to guarantee their bonds, and how much they have had to pay in service charges on these bonds I do not know, not having looked into the figures.

At some stage in the passage of this bill we should be told what the proposals of the provinces are. After all, the principle here is simply grants in aid, nothing being initiated by the department itself. In view of what the minister said at the opening stages of the bill, I am not going to quarrel with that position. It is true that the Rowell commission went a long way and recommended that the dominion take over the entire question. That of course would relieve the municipalities and provinces of a huge obligation, but it is so important in dollars and cents that the question should be studied with very great care. That may become necessary in certain places, with certain municipalities and provinces, but it ought not to be necessary in some of the other provinces. I do not want to express any dogmatic opinion on the question, but I suggest that the dominion should not assume this burden lightly, having regard to what we have heard to-day. Surely each one ought to carry his own burden of taxation and the responsibility in connection therewith, and we all know that the primary responsibility is with the municipality. That is the constitutional position. What proposals if any have been formulated by the various provinces for grants in aid under this bill? I refer particularly to my own province of New Brunswick.

Mr. McLARTY: I will endeavour to get as much information as I can during the dinner recess.

Mr. HANSON (York-Sunbury): I do not ask for it now, but it might be given before the bill passes out of the committee stage or, if that is not convenient, before the third reading.

Mr. McLARTY: I was hoping that we could get out of the committee stage to-day.

Mr. BLACK (Cumberland): Has any special agreement been entered into or has there been any understanding with the provincial governments with regard to the technical training of youth? The minister stated earlier in the discussion that he hoped steps had been taken to keep open the technical schools in Canada with a view to giving summer training to some 4,000 or 4,500 of our young people. I wonder if any agreement has been entered into with Nova Scotia to this end and, if so, whether any steps have been taken in a community such as Amherst where there is considerable activity in the

construction of aeroplanes. It is expected that a reconditioning establishment will be set up there for the reconditioning of aeroplanes. Have any steps been taken for training to be given in Amherst? There are mechanical schools there. They have not the advantage of a technical college, but there are a great many young men, some of whom unfortunately have been on relief, who have an aptitude for this work and desire to obtain training so as to fit themselves for service in this direction.

Mr. McLARTY: All the provinces have been approached, but I should not like to speak from memory as to the town of Amherst which the hon. gentleman mentions. However, I will get information on the question.

Mr. BLACK (Cumberland): On what basis would such an agreement be entered into? Does the department make the entire contribution or does the province contribute a proportion?

Mr. McLARTY: It varies in different provinces. We are going to have to be somewhat generous in our contributions to the provinces. On the question of equipment we have not finally decided upon anything. We are anxious to get it going and we have allowed some details to take care of themselves so far, because the present is the time for us to be getting underway.

Mr. POULIOT: I have three questions to ask. First, what are the actual conditions upon which direct relief may be granted to individuals in each province? Second, what is the amount of direct relief paid to each recipient in each province? Third, are the conditions of granting relief and the amount of relief to be paid to individuals decided by the dominion Department of Labour or by the province or by both?

Mr. McLARTY: The answer will have to be a general one. In the first place the aid is granted to those in necessitous circumstances; in the second place the quantum which each individual receives is determined by the municipality and the province, and our contribution is forty per cent of that of the province. I have not, however, the figures. I think the question should be asked on the estimates when the officials of the department are here. As to the amount of direct relief paid to each recipient in each province, I cannot give any information at the moment.

Mr. POULIOT: I do not want to take the minister into a corner to get the information. I shall be satisfied if he will instruct his officials to send me the answer.

Mr. McLARTY: I shall be glad to.

[Mr. P. C. Black.]

Mr. HANSON (York-Sunbury): Just a word with regard to a check-up on expenditures. Last week we heard a good deal of criticism of the manner in which they are made. In New Brunswick a very large portion of the money that this government grants in aid to the province has been spent for political effect. That ought not to be, and it never was the intention. The intention was that public works should take men off relief. Men on relief were obliged to give political assurances. What check has the department on such activities and on particular expenditures? Does the department follow the money through in any way? I am afraid it does not.

I would suggest to the minister that we forget about the past. Let us for this year, and for succeeding years if we have to have this sort of thing, have some follow-up system, apart from the question of auditing, which I think is all we have at the present time. There should be some follow-up to see that the moneys granted to assist the provinces and municipalities to perform their constitutional function are not abused for political purposes. That is stating the situation succinctly and without going into details. I hope that will be done, even if it is a departure from the experience of the past. I know there has been an audit, which is based largely on the terms of the individual agreements with the provinces, but in my view that is not enough. We should have some kind of follow-up by inspection or otherwise. And let us not have political inspectors. If I interpret my hon. friends to my left correctly, the charge in the west, if I can dignify it by that term, is that the inspection has been more or less political. These are public funds, for the alleviation of human distress, and it does seem to me that we ought not to assent to any trading on that sort of thing. I would not like to be guilty of that myself.

In 1934, 1935 and other years instructions were sent out definitely by the then government that there should be no discrimination. But I venture to say that in some instances those instructions were not followed out. Partisans will be zealous. The intention of the then government, however, was as I have said, and if we erred at all at that time it was because we did not follow it up with a check. I am not seeking to escape any responsibility that attaches to me or to the former government. If these things have happened, that is all the more reason and inducement to correct a situation which I apprehend exists in certain places, and which I know existed last year in New Brunswick. Let us treat this matter from a humanitarian point of view, not from the point of view of

political gain. In fact I doubt very much whether it produces political gain. I have an idea that in the provincial election in New Brunswick last fall the government of the day lost hundreds of votes by the way in which they attempted to handle this relief proposition. I have no doubt that it reacted against them, because people resent being led to the polls. There is a certain element of coercion, and fear may be inspired.

Let me give an illustration, not of abuse of relief money, but of the way in which provincial governments treat moneys sent them by this government. I was surprised to learn the other day that some thousands of dollars had been sent out to the various provinces by the Department of Pensions and National Health for air raid precautions. The sum of $5,000 was allocated to New Brunswick. If anything substantial was to have been done in that regard, of course $5,000 would be a very small amount, even for the seaport city of Saint John. But all the money that ever was spent for air raid precautions in the city of Saint John was spent by the municipality itself, and as far as I have been able to ascertain—I speak subject to correction, because we do not want to be dogmatic about these matters—not one dollar of that $5,000 was spent for air raid precautions. If it has not been spent the money ought to be returned to the dominion treasury. It is not under the minister's department, and when the appropriate minister comes with his estimates I am going to ask him about this, but it illustrates the principle for which I am contending. If it is not checked up, that money will just go into the consolidated revenue fund of the province, a contribution from this dominion to the province, never expended and never returned.

Would the minister during the dinner recess give some consideration to the two points I have raised, namely the question of what arrangements have been or are being made or negotiated with the provinces, and the question of a check-up on the expenditure? I know he will agree with me one hundred per cent in respect of the principle which I am advocating.

Mr. MacNICOL: Section 3 provides:

The governor in council may enter into agreements:

(b) with corporations or partnerships or individuals engaged in industry respecting the expansion of industrial employment.

If the minister has the information, would he give the committee an outline of what it is proposed to do under paragraph (b), particularly in reference to Ontario? I notice on page 6 of the report of the dominion commission of unemployment relief under the 1939 act, in reference to Ontario, under the heading "Rehabilitation of older unemployed," it speaks of agricultural training, training in skilled trades and industrial occupations. Then on page 12, in reference to Ontario, the statement is that for the rehabilitation of higher age people, $27,500 was spent. The minister should tell us how that money was spent, how they were rehabilitated, if it means rehabilitating men who were mechanics but who through unemployment, had perhaps lost the finesse of their trade, and if so, how that money was applied to industry under paragraph (b).

Mr. McLARTY: I shall be glad to. But I may point out that many questions have been asked that I would be much freer to answer on the estimates, if that is satisfactory.

Mr. MacNICOL: I do not want to press it.

Mr. McLARTY: I shall be glad to give the information.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Mr. McLARTY: The hon. member for Davenport asked a question as to what is being done with regard to the development of technical schools in Ontario, and elsewhere throughout Canada. In that connection I shall make a statement which, I believe, will cover the matter rather fully.

Arrangements have been made in eight provinces for the use of the vocational shops in technical schools during the summer vacation period. These shops will be used to provide instruction in occupations connected with industries engaged in war contract work and will be devoted chiefly to machine-shop, sheet-metal work, moulding, welding, production workers for aircraft manufacturing and, where there is a demand, motor mechanics and wood working.

The minimum age of admission is sixteen years, and at the outset a large proportion of the trainees will be drawn from the students in the senior years of the technical schools. Older men will also be admitted to these courses, provided they have had some previous experience in the trade for which training is desired.

The technical schools' facilities are being placed at the disposal of the government without charge for rental or depreciation as

the municipalities' contribution. Approximately fifty-five technical schools have been offered for this purpose distributed as follows:

Ontario	24
British Columbia	5
Alberta	2
Saskatchewan	3
Manitoba	2
Quebec	12
New Brunswick	6
Nova Scotia	1

In answer to the hon. member for Cumberland, may I point out that the one in Nova Scotia is the Nova Scotia Technical college. The supervisor of youth training advises me that this is the only college really available in Nova Scotia.

The first schools were opened a week ago, and it is expected that all schools will be in operation by the beginning of July, according training facilities to a minimum of 5,000. Where necessary, a second shift will be operated in the schools with eight hours instruction a day, with a total of 350 to 500 hours during the course. These schools are in addition to those that are being operated under the regular youth training programme, but they will be coordinated with its activities.

Mr. HARRIS (Danforth): Will night classes be organized and arranged for those in regular employment during the day?

Mr. McLARTY: That is being presently organized, but they might not be night classes. The suggestion is an eight-hour day, with a break at about three o'clock in the afternoon. But in some circumstances it might be possible to establish night classes for the training of youth.

Mr. HARRIS (Danforth): That condition presently obtains under the curriculum of the technical schools. They have night classes on at least three nights in the week, in connection with the mechanical trades.

Mr. McLARTY: Those are in the vocational schools, under the regular youth training plan, I believe.

Mr. PERLEY: Section 3 provides for agreements with the provinces for the alleviation of unemployment and agricultural distress. I have listened to the discussions which have taken place on the bill, and the discussion on the resolution which preceded the bill. I have listened to the debate with considerable interest, and I have felt as did the hon. member for Wood Mountain (Mr. Donnelly) who prefaced his remarks the other night by saying he had not intended speaking, but after listening to the speeches from hon. members in the extreme left-hand corner of the house he had decided to say something.

After having listened to the speech of the hon. member for Wood Mountain, I avail myself of this opportunity to say a few words.

I believe I have not trespassed unduly on the time of the house thus far. The question of unemployment and agricultural distress has long since reached the point where it is a national problem. The Minister of Labour (Mr. McLarty), the Minister of Agriculture (Mr. Gardiner) and the hon. member for Wood Mountain stressed the point that the rural municipalities had the first responsibility, the province the second and the federal government the third. To my mind the rural municipalities and the provinces can no longer cope with this problem.

Why do I say that? First, many of the rural municipalities in Saskatchewan have reached the point where they cannot finance their own obligations, carry on their own road work and perform other necessary tasks. For any expenditures in connection with relief they must depend upon the guarantee of the province which they must give the bank before they can obtain any money. In turn the province comes to the federal government.

When we were discussing the resolution I heard the hon. member for Peel (Mr. Graydon) ask why men are out of work to-day. It must be remembered that we are at war, and that industry has been asked to step up production. His question was a reasonable one, namely: Why are men out of work to-day? Possibly there is a reason for that, but I think hon. members will agree with me when I say that agricultural distress involves a further question, namely, that of production and marketing. I believe the government cannot divorce itself from these problems, when it deals with matters connected with unemployment and agricultural distress, and particularly is that so when it is dealing with the provinces.

In his opening observations respecting the estimates of his department, the Minister of Agriculture outlined the reorganization which had been taking place in his department in the last year or so along lines of production and marketing. I believe that is a splendid idea. Had his department been properly organized with a view to what was going to take place in the future in connection with agriculture, and had the minister in the last year or so been giving his department the attention it deserves, thousands of men could have found employment on the farms in Saskatchewan.

Someone may ask me how that could have been done. It seems to me obvious that in the future years we shall have to change our whole system of agriculture. We must change to meet changed conditions, and that change

will involve intensified agriculture and the development and production on the farms of Saskatchewan of commodities they are not producing at the present time. It was only a day or so ago that the Minister of Agriculture made a statement at a point in Ontario with respect to the production of cheese and described how the production of that commodity had been stepped up. That is just one evidence of what will take place in the future.

In the last few years the Department of Labour has never had a real or constructive policy. Of course we cannot blame the present minister, because two or three years ago he did not head that department. To prove that the department has not approached the problem of unemployment in a constructive way, I need only refer to the first report of the Purvis commission which made certain recommendations. A great many of those recommendations were never carried out, and there has been no evidence that the Department of Labour intended to carry them out.

Resolution after resolution are coming to hand. I have received many of them from my province and other provinces in the west. I have received them from organized bodies, farmers' organizations, heads of industries, pool organizations, and other groups, stressing the point that the recommendations of the Purvis commission at least to some extent should have been carried out. I think hon. members will agree that the heads of all types of industry, and of agriculture in particular, should have been called into action a year or so ago.

I agree with what the hon. member for Winnipeg South (Mr. Mutch) said the other evening, that in western Canada much could be done to alleviate unemployment by paying some attention to the development of industry. He referred to Winnipeg in particular. I should like to call attention to what has happened in connection with the General Motors plant in Regina. Labour could be employed in industry in western Canada just as well as in agriculture. There would be a great saving in freight to the agriculturists of western Canada if certain lines of the implements of production were produced in the west.

The federal government is just passing the buck. On Friday afternoon the Minister of Labour said that he had never been asked by the provincial government to diminish relief distribution. That may be so, but I notice that to-day he tabled the details of the appropriation being asked for by Saskatchewan. That is considerably less than it was last year, which is all to the good.

Mr. McLARTY: I would not want to mislead the hon. member for Qu'Appelle. The figures I gave were the estimates made by the department, which were based on the figures that came in. I would not want to suggest that that appropriation was asked for by Saskatchewan.

Mr. PERLEY: But the minister will admit that on Friday afternoon he said that he had never been asked by the province to diminish relief distribution? I am not objecting to that, but I do contend that relief was withheld. There was considerable distress and suffering last year because relief was withheld in those areas in Saskatchewan which qualified for the bonus plan provided by the Prairie Farm Assistance Act. That relief was withheld, I believe on the direct order of the Minister of Agriculture, who has charge more or less of relief in that province. Those townships which qualified for bonuses under the Prairie Farm Assistance Act had relief payments withheld.

Mr. GARDINER: I know the hon. member does not want to make any statement which is not correct. I believe relief was paid in every municipality in Saskatchewan in which the acreage bonus was paid.

Mr. PERLEY: The provincial government stated that direct instructions were issued by the Minister of Agriculture that there would be no relief paid to those farmers who qualified for the bonus.

Mr. GARDINER: I do not think any such statement was given out. If it was given out, it was not under my instructions.

Mr. PERLEY: There was a relief distribution under the arrangement which the Department of Labour had with the provincial government and the municipalities.

Mr. GARDINER: That is the way it has been done.

Mr. PERLEY: If the minister will just bide his time, I saw letter after letter which had been sent out by the municipalities, under instructions of the provincial government, stating that farmers who had qualified for the bonus would not receive any more relief.

Mr. SLAGHT: Why do you not change your provincial government?

Mr. PERLEY: I think if they had had a fair show up there, no politics being played such as the hon. member for Lake Centre (Mr. Diefenbaker) described the other evening, the situation might have been different. He told the committee how relief orders were handed out in the polling booths on election day.

Mr. GARDINER: If you would not make so many agreements with other groups, perhaps you would get somewhere.

Mr. PERLEY: We will attend to that a little later. I may say that in the last session there used to be many of these interruptions. I should like to make just one speech while the Minister of Agriculture was glued to his seat. I was going to give him a little credit. The Prairie Farm Assistance Act which was passed at the regular session of 1939 was a relief measure and it cannot be dissociated from this measure. But as I say, many of the farmers who qualified for the bonus did not receive it in time to have it do good. It was provided that sixty per cent of the bonus would be paid in December and forty per cent in March. Under the survey which was made certain townships qualified, but that survey was inefficient. I believe politics were played to quite an extent. I could show a number of letters in proof of that, if I so desired.

The bonus cheques which should have been delivered in December were withheld or delayed until March. Many of these were not received until March 21, a day or so before the election. Hon. members will appreciate the distress which the non-receipt of these cheques would cause to farmers having a crop of only five, eight or twelve bushels to the acre. These bonus cheques were not received in time, and the farmers were cut off relief. The municipalities should have made the survey in the first place. They eventually had to do it during the election campaign. If these farmers had received their bonus cheques in December they could have provided—

Mr. GARDINER: On a point of order, if I attempted to answer the hon. member at this time I would be declared out of order. When we come to discuss the estimates dealing with this matter, there will be plenty of opportunity for debate. I think the hon. member is out of order.

Mr. PERLEY: Not at all. The minister spoke the other night, and he was allowed what the hon. member for Témiscouata (Mr. Pouliot) referred to as lots of latitude and longitude.

The ACTING CHAIRMAN (Mr. Jean): I am not giving a decision on the point of order, but I think the hon. member should restrict his remarks to section 3 of the bill.

Mr. PERLEY: That section provides for agreements to be made with the provinces for the relief of agricultural distress. This bill is a relief measure, as was the Prairie Farm Assistance Act. That act was an insurance and relief measure; a little of both, but not enough of either.

Mr. GARDINER: Nothing to do with this bill at all.

Mr. PERLEY: I am making a point that farmers were cut off relief last fall because they had qualified for the bonus. If that bonus had been received in time they would have been able to acquire their seed oats and seed barley before they advanced in price. Seed oats went up ten cents a bushel and barley advanced fifteen to twenty cents a bushel. It would have been a fair relief measure if it had been properly administered.

At this session many problems should be dealt with which would relieve agricultural distress in Saskatchewan. On Friday afternoon the hon. member for Wood Mountain stated that no politics had been played in connection with the distribution of relief in Saskatchewan. I think he was generous enough to say that politics had not been played by any party. He was really funny; that was a joke. Of course, he was addressing himself to the extreme left-hand corner of the chamber, but when he spoke I was reminded of the group that used to sit here to my right from 1930 to 1935. Some hon. members will recall the time when matters pertaining to relief were brought forward by the government of the day; they will remember the opposition and the terrible wails which came from that row.

Let me recall some of them. There was the then hon. member for Assiniboia, who graciously gave up his seat to the Minister of Agriculture. No politics there! Oh, no! But he has a good job now, has he not? Then there was the hon. member for Wood Mountain (Mr. Donnelly), formerly the member for Willow Bunch. He has not been given a job yet, but I think his speech the other evening was a bid for a seat in the other chamber. He has mellowed somewhat, and he may yet be taken care of. Then there was the former hon. member for Yorkton. He was defeated. Where is he now? No politics there, of course! The then hon. member for Weyburn was defeated. Where is he now? And the then hon. member for Humboldt, where is he now? There was the then hon. member for North Battleford; I think we shall hear more of him. There was another hon. member on the government side who was defeated in the last election, the former hon. member for Melfort, who was vociferous in the last house, and I say, sir, that when the people of Canada are demanding national government and that the best brains be brought in to serve the country, to bring that man down here to be a liaison officer between the Minister of National Defence for Air

(Mr. Power) and the members of this house—well, he knows as much about aeroplanes as I do about elephants.

Mr. MACKENZIE (Vancouver Centre): A very good man.

Mr. PERLEY: The people of the west will express themselves about these matters, and I am mentioning them in reply to the member for Wood Mountain, who said the other evening that there was no politics being played.

Mr. WOOD: Do not overlook the former member for Hamilton West.

Mr. PERLEY: Probably a few were taken on as a just reward for their ability if the government was looking for brains. Naturally in that instance the government had to go a little far afield.

Mr. MAYBANK: Do not forget my former colleague from Winnipeg North. There was no politics there, of course.

Mr. PERLEY: Again I answer that the government was looking for brains, apparently, and the former member for Winnipeg North displayed that he had brains on several occasions in this house.

Mr. WOOD: Is that why you have never been asked?

Mr. PERLEY: How do you know I have never been asked?

The hon. member for Wood Mountain said that the farmers of the west should help themselves, and that is the statement I protest against. The farmers of the west are just as anxious to help themselves as any other class of people upon whom misfortune has fallen during the last few years, and they would have dug their wells and built their chimneys —he referred to that—if they had been given the opportunity. Under the Agricultural Assistance Act provision was made for the farmers to build their own dug-outs, in order to give them work, and they were to be paid for that work. Money was voted at the last regular session for that purpose. But no matter how much they wanted this work, they were not allowed to do it because the Minister of Agriculture allowed contractors to do the work with power machinery, drag-lines, and so on. They did so much work and did it so fast that the appropriation for that purpose was overspent by 30 per cent, and one of the first acts of the government this session was to ask the house to pass an interim supply bill to provide, among other items, payment for that work.

The hon. member for Lake Centre (Mr. Diefenbaker) the other evening gave the committee some idea of how relief was handled during the provincial campaign, and it was a good answer to the hon. member for Wood Mountain. There should be a proper administration of relief money and a proper check made. I endorse the plea that was made this afternoon by our leader, the leader of the opposition (Mr. Hanson), that the government should see to it that a proper check and a proper administration of relief expenditures be provided.

The farmers of Saskatchewan who have been forced to go on relief, not of their own will at all but owing to conditions over which they had no control, appreciate very much the assistance given them by the other provinces, and I want to go on record as endorsing what has already been said in that respect. I am sure that ninety-five per cent of our farmers want the chance to earn their relief, and if they had that opportunity conditions would be quite different. I have dozens and dozens of letters telling of the distress in certain parts of Saskatchewan; but as the hon. member for Wood Mountain has protested against the reading of letters, many of which have already been read by the group in the corner of the house to my left, I shall not read them.

Unemployment and agricultural distress now constitute a national problem and a national responsibility. The municipalities cannot even provide their twenty per cent. If about seventy-five per cent of the inspectors and government officials who are engaged in connection with the expenditure of relief moneys were fired, the money would do much more good because a great deal of it now goes to those officials.

Mr. HOMUTH: If you fired them, the organization would break down.

Mr. PERLEY: I want to urge upon the Minister of Labour the necessity of a proper check, proper supervision and the elimination of extravagance and waste in the expenditure of the moneys to be voted for the relief of unemployment and agricultural distress.

Mr. CHURCH: The bill now before the committee deals with two matters, the alleviation of unemployment and the alleviation of agricultural distress. The hon. member who has just sat down (Mr. Perley) has spoken of conditions in his riding, but as I see it, that is not a subject for discussion on this bill. We must not forget that the agreements made under this bill are three-part agreements, as between the dominion, the provinces and the municipalities. Over ten years ago, in 1927, when I first brought this matter to the attention of the house and asked for a three-way split in this expenditure, I was told by Mr.

Heenan, who was then Minister of Labour, that under the British North America Act unemployment relief and agricultural assistance were matters for the provinces and municipalities, not for this parliament. But in 1930, during the depression, parliament was forced to do something, and it passed the first clause of this section, giving the governor in council power to enter into agreements with the provinces and municipalities for the relief of unemployment and agricultural distress.

The conditions in a particular riding have nothing to do with these agreements. There are two other parties to the agreement who will have something to say about those conditions and the relief thereof—three-fold by agreement. Saskatchewan got something which no other province ever got in the way of several votes and also a capital vote, a maintenance vote and other aids and assistance for agricultural distress directly handed over to the province. My contention, Mr. Chairman, is that if any relief is to be given, there should be a standard agreement, with equality of treatment for all the provinces. We have had a lot of useless commissions handling relief. Mr. Hopkins, over in the United States, handled relief for ten years for 127,000,000 people, and he insisted upon having a standard agreement for the state or the municipality or other relief area. The result was that he obtained more value for the money than this parliament has got.

Canada has spent one billion dollars on relief works and agricultural assistance. That is the total of federal, provincial and municipal aid herein, and what is there to show for it? Very little. The government in the past had one policy in respect of one province and another for another province, and no uniform standard aid to each and all of the provinces. For example, take the industrial provinces: the agreement in the past was lop-sided, one-sided. In the province of Quebec, where the provincial government, the municipalities and the federal administration were of one mind, it appears, according to a return to the house which I read four sessions ago to the minister, that relief was disbursed in all sorts of municipal ways—on public works, roadways, sidewalks, sewers, schools, hospitals, botanical gardens, while similar federal aid was not given to Ontario. In addition, they had what was known as the federal municipal assistance act. Ontario was not so favoured, because the provincial government did not see fit to allow the Ontario municipalities to come under that act. They did not get a single dollar by way of a municipal assistance act, as other provinces did, nor any of these municipal works which the other provinces have had.

My point is this, that if we are going to make an agreement with the provinces, it should be a hard and fast, standard agreement, uniform for one and all alike. Every province has some agricultural relief problems; every province has many unemployed on relief. Why, then, should there not be a standard agreement? Why give favours to the one at the expense of the rest of the country? I have been through the ridings of the hon. gentlemen who sit for the districts of north Muskoka, Parry Sound, new Ontario, and many other counties, including Brant, and I have observed that agriculture is suffering badly in many counties in the forgotten province of Ontario, if not as seriously as in Saskatchewan, yet to an extent which requires assistance from this government.

My second point is this. Six or seven years ago there was added a clause which is now paragraph (b) of section 3, "agreements with provinces and others", because the Canadian Pacific Railway Company and the Canadian National Railways wanted votes from the federal power or loans to aid building necessary equipment. The paragraph reads:

> The governor in council may enter into agreements: . . .
>
> (b) with corporations or partnerships or individuals engaged in industry respecting the expansion of industrial employment.

Owing to the war, the minister with the provinces will have to consider a new urgent factor of aiding individuals and firms in industry. Owing to the loss of business by Canada, the fifth trading nation that we are, the dominion will now have to take into consideration the results of the loss to it of markets by this war in France, Italy, Belgium, Holland, Denmark, Norway, Finland, the Baltic States, some Mediterranean countries and the Black sea ports. I have here a telegram which I will hand to the minister. I do not wish to mention the name of the firm, but it is one of the largest employers of labour in Toronto. Up to the present time they have never known what it is to close their doors, but they have closed them within the last twenty-four hours. The message reads:

> Factory closed due loss entire European trade. Urgently need government contracts for munitions chemicals explosives shells or anything. Have ample space and excellent organization. Coming to Ottawa later in the week. Meanwhile will you think matter over and be prepared to advise me?

This firm did a great deal for the rebuilding of the east end of Toronto and the waterfront of that city; they used to employ nearly 900 men; latterly I believe they have had

350 or 375. Now they close up and the workers are virtually out on the street. Their case comes under paragraph (b):

. . . corporations or partnerships or individuals engaged in industry respecting the expansion of industrial employment.

If their employees are unable to get other work they will have to go on relief. That is one of the matters which the minister should take up with the provinces and the munitions board because the telegram suggests the use of the plant for war orders.

Notwithstanding all the commissions which the government has appointed, I have not heard one new constructive suggestion in this chamber in the last three years. It is three years ago since I proposed that we should have a system of national service for the youth of this country for peace and war alike, whereby they could learn a trade in one of many industries, meanwhile receiving pocket-money, lodging, deferred pay, clothing and food, and undergo a certain amount of military training. Had that been done in the period during which the government has been spending a billion dollars, the youth of this country could have long ago helped to furnish five or six hundred thousand men capable of manufacturing shells, tanks and other necessary equipment, and helped in enlisting. But the government did not do a thing about the matter or for a survey of large and small plants and a national register.

I was here three years ago with the Toronto board of education. It was on that board years ago that I started. They have three large technical schools—Western Technical, Danforth Technical, and Central Technical and vocational schools—and they proposed to give the government the use of their buildings and plant and sought federal aid. Our young people are being trained in the evenings; the city of Toronto is spending $12,000,000 a year on all kinds of education. Central Technical and Danforth Technical have eight to ten thousand young people trying to learn various trades, including the metal trade, one of the twelve key industries which the British government has brought under the national service act in the last four years. A few years ago the federal government struck off any grants for technical education, as formerly, although it is federal work in relation to industry and commerce. Let me plead with the minister that in making an agreement with the provinces he should include a vote to enable federal power and the provinces to maintain these technical schools, now doing war work for industry.

Nearly a month ago I called the attention of the government to the fact that the high schools, colleges and universities this spring and summer were turning out great numbers of pupils, and wanted to know what they were to do to use their services in the vacation. I asked for the opening, as in other years, of cadet camps for training, and in addition I suggested, as was proposed when the Toronto board of education were down here three years ago, that the technical schools be kept open for three months in the summer time and the staffs utilized to train the youth of the country, and that student labour be used in the summer months to develop Canada's natural resources. Yet nothing was done; the government would not even give the matter a thought. For some days they even declined to see the board of education delegation, telling the board to go to the provinces and to the municipalities. I suggest that the government, instead of providing some assistance to keep these schools open in the three summer months so that the employees of the John Inglis company and other munitions companies may obtain a certain amount of training at night for their help, should have the schools open the full twleve months with federal and provincial aid. I made that suggestion two years ago. The war branch work of these schools should be expanded, and the dominion should pay one-third of the cost all the year round, not merely for three months, and the province should pay one-third. The municipality should not bear the brunt of the whole thing.

Another matter I should like to mention in connection with this agreement—for, as I read *Hansard,* the minister has not said a word about it—is, what is to become of people forty-five years of age and over? The other evening I pointed out that there are industries which will not employ a man after he is forty or forty-five years old. What is to become of these people? They are the forgotten people in industry. The United States have a policy for them; but in Canada the man of forty to forty-five is to-day the forgotten man in industry. He cannot get a job; he cannot enlist.

It was said in this chamber the other day that as a consequence of recruiting something is going to be done to lessen relief costs. I can tell the committee that in the Royal Canadian Air Force and the army and navy at Toronto, when young people come to enlist, they are told, "We won't take you on until next fall," and they cannot get enlisted. I can name the schools from which these young men came; I can mention some of the names of those who were unable to join up as recently as last week. I tried to find out from the officers what was the reason, but

I was unable to find out anything. In fact, since the present heads of that district have been in control, there is not a member of parliament who has been asked to cooperate with the military heads of No. 2 district, as the former minister wrote asking us to do last September. They have never been invited once to visit the camps and other institutions or buildings and see what is going on in that district or city. The minister, if he wants progress before next winter, should see to it that recruiting shall go on at once, day by day—not on again, off again, and on again—and that the offices are kept open, if necessary at nights, in order that young people may be enrolled for war work and voluntary recruiting encouraged.

Three years ago I asked for an apprenticeship system and urged the need of controlling the entry of juveniles into employment. Hon. members will see a report of the matter in *Hansard* of the 31st March and a few days in April, 1936.

In our educational example, one of the chief weaknesses of the body politic is the dislike manifested by many of the most enlightened industrialists, who are really keen on education, for any organized system of part-time education and part-time employment. The problems of internal factory organization which such a system must create are many and serious; yet unless they can be solved, unless the inhibition can be removed, no thorough educational reform is possible. There is one obvious way of removing the inhibition: the five-day working week, during which the employed juvenile would receive his specific draft training in the factory, with a universal system of Saturday morning continuation classes.

This suggestion has been made but nothing has been done. I urge further that during the coming summer those who were formerly taken care of in the militia department at the cadet high school camps should be given a period of military training as in the last war as an aid to employment. In reply to a question of mine, certain figures on this matter by provinces were given some weeks ago and will be found at page 346 of *Hansard*. I urge that high schools, universities, students out of work and others should be taken care of by such national service training with pay.

The agreements under this section should cover all the provinces and not just some of them. There is no reason why some provinces should receive a hand-out while others are denied any benefits. There should be a better working arrangement with Ontario, which, as I have pointed out on many previous occasions, has been discriminated against.

[Mr. Church.]

Ontario is the forgotten province so far as expenditures under this vote are concerned. The municipalities of that province cannot qualify under the two statutes that I have named, and in my opinion the money for the larger municipalities should be earmarked when given for them to the provinces.

I hope the minister will give some consideration to these matters and to the question of real estate relief which I raised the other night, in addition to the matter of national registration for jobs. They are not new questions; far from it. In fact, I have not heard of any new suggestions made here, nor have I read of any that have been put forward in the debates since this subject has been under discussion. There should be protection for all the people of Canada. I believe in doing everything we possibly can for the youth of the country, but as regards a ministry for youth, I suggest that the whole population should be protected. Why should we make provision only for the youth of the country? I believe in protection, not just for some of the people some of the time, but for all the people all the time, including the forgotten class, those of forty and forty-five, our industrial workers who have been driven out of their jobs through no fault of their own. I believe in unemployment insurance and other aids for the rest of the population after they have passed the allotted span, and protection for all.

It seems to me that these agreements are one-sided. In this debate we are simply conducting a postmortem on the agreement that expired on March 31. Parliament was not sitting then and we are near the end of June, yet we have no agreement as passed by this house. As I say, we may be simply holding a postmortem on the money that has been or will be spent probably to the end of June.

I wish to commend the minister because he has been most active since taking charge of the department, and I trust that he will be receptive to any suggestions which will help to solve the problem that faces him. There is no reason why we should not adopt a policy of national service such as I have indicated, adapted to Canada's circumstances, in the high and public schools, nor can I see any objection to putting into force a similar policy adapted to Canada as a whole. Why should there not have been long ago a survey of all plants, large and small? Had such a survey been carried out before the war broke out, we would have been in a much better position in our struggle against the enemy.

In these agreements with the provinces there should be equality of treatment, and standard

forms of agreements for each and all, and regarding the larger corporations I suggest that there should be some consideration for those industries that have closed and for those who have lost their jobs as a result of the war in Europe, as in the case of the industry I mentioned.

Mr. McNIVEN: The discussion this afternoon and to-night seems to have centred round the establishment of the fact that relief is carried on in a political atmosphere, and there seems to be a determination to convey to members of this house the impression that the centre of that activity is in Saskatchewan. It is only necessary to assure the committee that that was the burden of the campaign speeches in the provincial election of 1938, with disastrous results to those who expounded that policy, and likewise in the campaign that has recently concluded. I notice at page 1001 of *Hansard* that the hon. member for Lake Centre (Mr. Diefenbaker) uses this language:

> The minister wants to know about the administration of relief in Saskatchewan. Let me point out to him what happened in connection with employment upon public projects in Regina. The provincial member for Regina took the stand that unless a man had been able to get his application for work initialed by the president of the Liberal association or, better still, by the Liberal member, he could not obtain employment on a public project.

I would remind hon. members that the subject matter referred to in this speech was also referred to in the last session by the hon. member for Weyburn (Mr. Douglas) and the hon. member for Qu'Appelle (Mr. Perley), and at that time I made an explanation which I thought was satisfactory to the members of the house. Undoubtedly it has not been called to the attention of the hon. member for Lake Centre (Mr. Diefenbaker), and if he has me in mind when he makes the statement that on relief works it is necessary to have the application initialed by the Liberal member, then I want to assure him that he is mistaken. The provincial member to whom reference is made did make some statement in 1939 and used casual employment at the post office in the city of Regina as the horrible example. In reply I cited that in the Regina post office in Christmas of 1938 there were 143 casual employees, of whom thirty-one were on the eligible list. Of the remaining 112, sixty-nine were returned soldiers, married men with dependants. One was a single returned soldier. Of the other forty-two, eleven were single men and the other thirty-one, married men with dependants. The system followed in selecting these employees was to advise the various veterans' associations that so many positions were available and to send in their recommendations. Their recommendations having been sent in, the postmaster and I made the selections on the principle of the greatest good to the greatest number.

Mr. MacNICOL: Why would the postmaster consult a member of parliament? We have not experienced such a thing in our district.

Mr. McNIVEN: Well, it is the policy of the member for Regina City to be of service to any government employee wherever it is possible and to render the maximum of service to the largest possible number of constituents.

Mr. MacNICOL: Why would not the postmaster ask the defeated candidate his opinion?

Mr. McNIVEN: Because he was defeated.

Mr. ROSS (St. Paul's): Would he not be just as reputable a man in the community? I think both sides should be consulted, both the member and the defeated candidate.

Mr. McNIVEN: We had some experience between 1930 and 1935, and I do not know of any defeated candidate or anybody prominently or otherwise identified with the Liberal party ever being consulted or ever getting any employment. There was a decided difference in the administration of employment following 1936 from what obtained prior to 1935. The attack seems to centre on the Minister of Agriculture. My own city was made the centre for the distribution of fruits and vegetables, fish, cheese, beans, et cetera, in 1937, and again in 1938, and I can say for the Minister of Agriculture that he instructed us that the employment incidental to those enterprises was given on exactly the same basis as I mentioned a moment ago. Time and again I have approached the Minister of Agriculture for employment for needy persons on what is known as the prairie farm rehabilitation plan, and have been told by him that, since there was no farm rehabilitation in my constituency, the employment would be given in those centres where the work was being done, the work being undertaken there in order to give employment for people who needed it in that locality. And I had never heard it suggested that employment on projects of that kind was administered on a political basis.

Mr. HOMUTH: You would never do that!

Mr. McNIVEN: For the benefit of the hon. member who has just spoken, I can say that in the last five years I have never asked any man or woman what his or her political convictions were.

There is another act that comes under the administration of the Minister of Labour, and was designed to alleviate unemployment in urban centres. I refer to the Municipal Improvements Assistance Act. Surely no one will suggest that politics entered into the giving of employment under the terms of that act or in its administration. If it did anywhere else, it certainly did not in Saskatchewan, and more particularly in the city of Regina. In Saskatchewan the federal government had a representative, a Mr. Bingham, and the minister directed that employment on civic projects under that act should be under the direction of a committee of three, the federal representative Mr. Bingham, a nominee of the department of labour of the provincial government, and the city relief officer. As far as the city of Regina is concerned, those three men selected those who should be employed, and employment was given to those who were most in need of it, without reference to political alignment at all.

May I refer now for a moment to a remark made by the hon. member for Qu'Appelle (Mr. Perley). I was really surprised to hear him make reference to the former member for Melfort constituency, Mr. Malcolm McLean, in the terms in which he did. It is not like the hon. member for Qu'Appelle to use language of that sort towards a former member of this house. May I say to hon. members who are not acquainted with the former member for Melfort that he sat in this house for ten years and was a good member, that he is a student, and a cultured, talented gentleman. What is more, he served in the great war along with the present Minister of National Defence for Air (Mr. Power), and there is no one in the house who knows his qualifications and ability to adapt himself to circumstances better than does the Minister of National Defence for Air. May I ask who, a year ago, six months ago, three months ago, knew very much about air administration? The Minister for National Defence for Air selected a man whom he knew and who, he thought had the ability to adapt himself to a new department and render a national service at this time. It was unkind of the hon. gentleman to refer to other appointments, and some which might be anticipated. If we were inclined to indulge in recriminations we could go back prior to 1935, and refer to the deputy postmaster general, the deputy minister of marine, and reference was made a moment ago to a member of the civil service commission; all of these were former members of this house from 1930 to 1935, and on or about Augutst 16, 1935, sought their present havens of refuge rather than face the electors.

[Mr. McNiven.]

I should like now to bring to the attention of the minister the plant of General Motors in Regina. That plant was built in 1928; it comprises eleven city blocks or about fifty acres in the city. If my memory serves me aright, the main building is between eleven hundred and twelve hundred feet long and from three hundred to three hundred and fifty feet wide, not including the power plant or heating plant. On the property there is another large warehouse which is used for parts. At one time that plant on an eight-hour shift was turning out 210 cars a day and giving employment to over 1,100 men in the plant, with an office staff of about 200. The plant was operated last winter and is still operating five days a week employing between 500 and 530 men, and on that basis it turns out sixty-five cars a day. It is a modern, up-to-date, well-built plant. It will be closed at the end of June, and should be very suitable for the manufacture of either munitions or aircraft. In making that suggestion I have a distinct recollection of a commitment made at the outbreak of the war by Mr. Carmichael, the vice-president and general manager of General Motors, who stated publicly that the facilities of General Motors plants would be available for war work. Here is an opportunity to give employment to large numbers of people in Saskatchewan, and at the same time render a valuable service to the nation at large at this hour of crisis.

Our province has had a most difficult time for the last ten or eleven years, but it is not doing our province any good to do as was done this afternoon by the hon. member for Yorkton (Mr. Castleden) when he said that hundreds of municipalities in our province were bankrupt. A number of our municipalities are in difficult circumstances, but to say that hundreds are bankrupt when the total number does not exceed 350 is, to say the least, an exaggeration. Then the hon. gentleman went on to say that hundreds of farmers were being foreclosed and put off their land. I do not know of any such situation. I know that for a period of four years up to about a year ago there had been only some 700 foreclosures permitted in the whole province. Those foreclosures were permitted because the farmers had abandoned their land, nobody was living on it and it was necessary to obtain title in order to do something with the land itself. It does not do my province or any other province any good to hear the assertion that there are hundreds of farmers being thrown off their land, when such is not the fact.

Mr. CASTLEDEN: Would the hon. member permit a question?

Mr. McNIVEN: Ask a question if you wish, but make a speech later.

Mr. CASTLEDEN: I have evidence to support my statement, and, if you wish, can give the name.

Mr. McNIVEN: The other evening the hon. member made reference to a situation which he described, and said that a sick man could not get proper medical care. He said that subsequently the person in question committed some minor offence and was sent to gaol, and that thereafter he received proper medical treatment. That, sir, is not correct, so far as Saskatchewan is concerned. It is not correct to say that one must commit an offence and be sent to gaol in order to receive necessary medical treatment. That is a direct reflection upon the medical profession, upon the hospitals and upon the good common sense of the people of Saskatchewan.

Rather than cite these cases which are exceptions, far better would it be if the hon. member were to tell the committee that the medical profession has done yeoman service, at great disadvantage and under great hardships. It has done great service throughout the drought areas, receiving little or nothing in return by way of compensation. He might have said that a rural municipality in Saskatchewan was the first to adopt the plan of having a municipal doctor. That was away back in 1922, and since that time the scheme has spread throughout Canada and into the United States. Better would it have been to tell how groups of citizens have formed themselves into cooperatives in Saskatchewan, to supply themselves with medical and hospital services. Better would it have been to tell how certain doctors in certain urban centres in Saskatchewan have grouped together and, for a monthly consideration, are giving hospital and medical services to the citizens of that province.

The hon. member did make some passing reference to what has been accomplished in the various sanatoria for the treatment of tuberculosis, but he might have pointed with pride and satisfaction to the fact that the treatment of tuberculosis in Saskatchewan has been so effective that that province has a lower mortality rate from tuberculosis than has any other province in Canada.

Mr. GARDINER: And it is free to the individual.

Mr. McNIVEN: Yes; as the minister has said, it is free to the individual. We have gone through trying and difficult times. Today Saskatchewan does not occupy the proud position she once occupied in the family of Canadian provinces. The spirit of the Saskatchewan people in the face of unprecedented difficulty has aroused the admiration of Canadians everywhere, and we will be ever grateful for the assistance rendered by both governments in the last ten years. In common with all Canadians, we are anxious to serve not only Canada but the empire to the maximum of our resources in the grave crisis which confronts the world.

Mr. CASTLEDEN: Mr. Chairman, I regret that the hon. member for Regina City, along with about 150 of his colleagues, was absent this afternoon, at about five-thirty o'clock, when I dealt with the subject to which he has referred, and when I paid tribute to those doctors who had rendered noble service to the farmers and others of the west. If he will read to-morrow my statement as it appears in *Hansard* I believe he will find that I stated in the house this afternoon what he has just intimated he would have wished me to state.

Mr. ROSS (Souris): I had not intended to speak on this particular occasion, but my good friend the hon. member for Regina City brought to my mind the thought that I am interested in the welfare of the returned men, and in assisting them in securing employment. I am unfortunate in some respects, particularly because I happen to be a member of the opposition. The hon. member told us of his experience in assisting the Postmaster General to pick out certain individuals requiring employment. I have had some experience along those lines, and in that connection I should like to read a letter under date of April 17, 1940, received by one of those chaps. It states:

> I beg to acknowledge the receipt of your letter of the 15th instant advising that you have been recommended by the legion as collector of radio licences for Malita district. In reply I would suggest that you communicate with Mr. G. W. McDonald of Boissevain, who was the former member for the constituency of Souris.

Probably that is proof that I am on the wrong side of the house, if I am to be gainfully employed on behalf of those chaps, or that patronage does now prevail.

I should like to say a word respecting the bill. As has been pointed out by other hon. members, I believe there should be closer contact between the Minister of Labour and the Minister of Agriculture. In my view the Prairie Farm Assistance Act has a distinct bearing on the problem of relief, and at the proper time I shall make further references to that matter. I can well remember the speech delivered last summer by the minister

when that measure was brought into effect, when he pointed out that it was hoped the institution of the Prairie Farm Assistance Act would do away with relief problems in agricultural areas. I wish to commend the minister upon having taken a step in the right direction. In connection with administration there are several matters with which at the proper time I shall deal. Nevertheless it must be remembered that that measure has a distinct bearing on relief problems.

Many people in townships have received the acreage bonus, on account of the average being over twelve bushels; yet within those townships there are individuals whose yield averaged less than their seed and who have received no consideration for their seed. They require more than their average bonus to live on. That is a most unfortunate situation, and has arisen because of the set-up. Those people have undergone tremendous hardships. True enough, while the minister did make the statement that this was to take the place of direct relief in every respect, yet some months later he said to western Canada that those people should also receive direct relief. I must say that, in all fairness to the minister.

Mr. GARDINER: I took the position all the way through, that individuals in those townships should receive consideration for relief.

Mr. ROSS (Souris): Then there was great misunderstanding between the minister and provincial governments in the west.

Mr. GARDINER: The hon. member should read *Hansard*.

Mr. ROSS (Souris): That information was distinctly passed on from the provincial departments to the municipalities—and nobody knows it better than I do, because I have been intensely interested in the municipalities.

An hon. MEMBER: You have got it wrong.

Mr. ROSS (Souris): I think it was a misunderstanding. I wish to give the minister credit. It was later cleared up, when he said those people should have been receiving relief. But there should be a further arrangement whereby departments of labour and agriculture would work in much closer contact. As was pointed out this evening by the hon. member for Qu'Appelle (Mr. Perley), of necessity a great change must take place in the agriculture of the prairie provinces, if we are to exist in the future. In that respect I believe the Department of Labour could do a great deal by working in conjunction with the Department of Agriculture. Much detail might be developed along those lines.

[Mr. J. A. Ross.]

Mr. ROSS (St. Paul's): How much money was spent last year, and how much is it expected will be spent this year on the rehabilitation of the older unemployed?

Mr. McLARTY: The amount of $78,836 is given on page 13 of the report.

The CHAIRMAN: I would point out that this matter is more closely related to the estimates than to this section of the bill.

Mr. ROSS (St. Paul's): It is stated on page 13 of the report on the Unemployment and Agricultural Assistance Act, 1939, that $78,836 was spent on the rehabilitation of the unemployed. Is that right?

Mr. McLARTY: I feel it would not be in the report if it were not correct.

Mr. ROSS (St. Paul's): As I said once before, the most important matter we have to deal with is the rehabilitation of these middle-aged people. I should like to quote from page 83 of the Purvis commission report, where under the heading of "retraining essential" it states:

> As repeatedly emphasized by the national employment commission retraining and reconditioning of Canada's unemployed for employment is an imperative need. In the last issue of this bulletin it was shown that approximately forty-six per cent of those on aid and employable were in the age group from twenty-six to forty-five inclusive. Many of these had previously worked in positions demanding skill. But that was years ago and their use and value in industry consequently has been much reduced.

It is stated here that $19,843,795 was expended for unemployment and agricultural assistance in Canada, with the magnificent sum of $78,836 being expended on these poor fellows to rehabilitate them. The other night we heard how well this government had followed the recommendations made by the employment commission. As far as that is concerned, it is just like throwing a peanut to an elephant. The trouble is that this government has tried to work from the bottom up instead of from the top down. There has been no guidance whatever. The employment commission recommended the setting up of an administrative body to take care of this whole problem. When we suggest that this be done, we are met with the argument that it will have to be done in the near future because it is intended to have unemployment insurance. But the government say they do not want to do it now because there are certain difficulties in the way. As I said before, surely the best brains on the other side ought to be able to get over that little difficulty and carry out the recommendation of the employment commission.

We are just in the same old boat with this bill. Not only that, at the present time there is a definite lack of enterprise on the part of this government. I should like to know what steps are being taken in order to get these middle-aged people back into skilled jobs. All the way through its report the employment commission refers to the need of trained help. We are going to need experienced workmen and we have done nothing about the matter. We have spent only a pittance upon rehabilitating these people who are now useless. The government opposite are perfectly content to hand out just sufficient relief to these people to keep them alive. The excuse is always given that Ontario or some other province will not cooperate with them. Something must be done, and I think we ought to have a statement from the minister as to what is proposed to be done in connection with the setting up of this administrative body recommended by the employment commission. We should know if we are going to get somewhere with regard to training skilled workers for our war effort.

Mr. BLACK (Cumberland): After recess the minister gave us some further information with respect to technical training in our technical schools and colleges. Any appropriation made for that purpose would appeal to the people to a greater extent than anything else. This will make young men available for mechanical work in connection with the war. The information brought down by the minister was not complete as to the distribution of the funds that are to be made available. According to the report there are twenty-four technical schools in Ontario, but only one in Nova Scotia and six in New Brunswick. Steps should be taken to make this training available to those young men in Nova Scotia who want to be mechanics. There is only the one technical college at Halifax, but something else should be done. Aeroplanes are now being built at Amherst, and they are establishing an industry there to recondition aeroplanes. Amherst is an industrial community, and many of the young citizens are anxious that some provision should be made to provide training for them. Cape Breton Island is an industrial centre, but no provision is being made for that area at all. The minister should bring down a supplementary report stating what his department proposes to do in order to serve the requirements of Nova Scotia.

Mr. McLARTY: We are endeavouring to use every technical school in Canada regardless of what province it may be in. During the recess I discussed the question asked by the hon. member with the supervisor of youth training. He advised me that there was only one technical school or college in Nova Scotia which was available. I asked him to give me a further report in connection with the Amherst school, and I shall be glad to advise my hon. friend as soon as we have that.

Mr. ROSS (St. Paul's): I wonder if I could have an answer to my question? How much money is it proposed to spend on the rehabilitation of the middle-aged or older unemployed this year? I note that $78,000 was spent last year. Surely we should have some idea of how much it is proposed to spend this year in order that we may have some idea of whether this bill is any good or not.

Mr. McLARTY: That $78,000 represents the contribution of the dominion only, which is supplemented by the provinces. In some instances—the hon. member was kind enough to mention the fact—we are anxious to move faster than some of the provinces, but we have more or less to govern ourselves by the amount of their contribution. In reply to the hon. member's question, if he will refer to page 17 of the estimates, he will find that the vote being asked for this year is a revote of $45,000 plus an additional $250,000, or a total of $295,000.

Mr. NICHOLSON: My deskmate was called out, but he wished to ask a question with reference to an item in the table of dominion disbursements under relief legislation on page 40 of the commissioner's report. It shows $93,757.81 disbursed to the Dominion Steel and Coal corporation under the provisions of the 1933 act, and I should like to know how this appropriation comes to be there.

Mr. McLARTY: I am afraid, Mr. Chairman, we shall have to leave some of these questions to be answered on the estimates. Offhand I could not state the specific purpose of that appropriation under the 1933 act. I do not want to mislead the committee. At the same time I think it will be appreciated that many of these questions would ordinarily come on the estimates, when they can be thoroughly gone into and discussed.

Mr. HOMUTH: The other day the Minister of Munitions and Supply (Mr. Howe) was speaking of the establishment of new industries. A great many old industries will also start up again. I have in mind certain sections of western Canada, certain towns of Saskatchewan and Alberta, with buildings which might be available for the production of war material. The time may come when we shall want to have some of our industries far inland; we do not know. In Ontario, where we have a high degree of industrial activity,

one does not hear anything about farm relief because our farmers have a good local market, and the small produce from their farms keeps them in spending money week after week. Ontario and Quebec for a great many years have been looked upon by the western provinces with a certain amount of suspicion. They felt that these two provinces were more fortunate in being highly industrialized, with many industrial plants making profits, and conditions generally throughout these provinces better than in western Canada.

I know of nothing that would do more to promote unity and a better understanding among our several provinces than a vast industrial expansion in western Canada. Industrial Ontario and industrial Quebec are not jealous of any industrial expansion in western Canada. It is not many years ago that Winnipeg was looked upon almost as a trading centre, but to-day it is a big industrial city which provides a wonderful market for the surrounding country. I think the Minister of Labour (Mr. McLarty), the Minister of Agriculture (Mr. Gardiner), as one representing the west, and the Minister of Munitions and Supply (Mr. Howe) could accomplish something of benefit to the whole country by assisting the west, particularly Alberta and Saskatchewan, to develop industrially. No province in this country has power available more cheaply than Alberta. A good many mechanics have gone out to the west, following the old slogan, "Go west, young man"; many of them have failed through no fault of their own; and if industries could be started up out there to manufacture munitions, for example, it would not only provide these men with employment but be of benefit to the country. I see no reason why textile mills could not be established in western Canada. I sometimes think we are not handling this problem on a large enough scale. Certainly nothing could do more to bind this country together than a great industrial development out in western Canada. It would do much to bring about a better understanding between the provinces. When the war is over, our war-time industries will revert to peace-time activities, and I am just wondering if it would not be possible to have developed in western Canada some of the war industries which are to be established under the Ministry of Munitions.

Mr. ROSS (St. Paul's): I did not quite hear what the minister said in reply to my question as to the expenditure on the rehabilitation of the older unemployed, but I understood that there was $250,000 more in the estimates this year.

Mr. McLARTY: Correct.

[Mr. Homuth.]

Mr. ROSS (St. Paul's): Last year $203,000 was appropriated. I refer to the report of the dominion commissioner of unemployment relief, page 12, left-hand column, "approved undertakings". If you add together the figures for the rehabilitation of the younger men and the older age group, you have a total of $203,600, and out of that $203,600 the minister says we spent only $78,800 last year. Is it proposed this year to spend $250,000 plus what we have here, or just to do no more than we did last year?

Mr. McLARTY: It is a question which I think could be better answered on the estimates, but I can say that this amount is put in for the express purpose of being used. In exactly what provinces or localities it will be spent I shall be glad to advise my hon. friend when the estimates come up.

Mr. ROSS (St. Paul's): But the bill providing for the expenditure of this money is before us now.

Mr. McLARTY: The only answer I can give is that the amount provided is $250,000, and I assume it is estimated at the present time that that will be the amount spent.

Mr. ROSS (St. Paul's): What I am interested in finding out is whether the government propose to do anything further, seeing that we are in a national emergency.

Mr. McLARTY: The answer is yes.

Mr. ROSS (St. Paul's): Many of these men who have had training and experience will probably have to go into the army, and we shall need these men in the worst way. This is a national emergency and we must do something about it. Certainly $250,000 will not go very far. The rehabilitation of these men takes time, and there ought to be a plan laid out and plenty of money made available. Instead of doing just what we did before, spending $78,000 out of an appropriation of $203,000, we ought to spend more than $250,000 and get something done.

Mr. LEADER: I am sorry to take up the time of the committee, but I wish to make one or two observations prompted by the remarks that have been made by the hon. member for Wellington South (Mr. Homuth). I represent as part of my constituency a fine little town of almost 7,000 inhabitants. Formerly it had a larger population. I refer to Portage la Prairie. At one time quite a number of important industries and factories were located in that city. One by one they have "folded up" and have departed to the parent company in eastern Canada.

I agree with the hon. member who said that we should have in Canada a more balanced economy, and I cannot think of anything that would balance our economy more effectively and more quickly than for eastern manufacturers to set up industries in western Canada. They did so in the past, but when depression struck the west, and the purchasing power declined, they closed up and came back east.

In Portage la Prairie there is one particular industry which provides, I think, a legitimate grievance. I refer to a flour mill which flourished there for forty-five years. Just recently this mill was modernized. It is quite large; I believe it will produce about 1,000 barrels of flour a day; and it provided employment for many people in our city. But because the export trade had fallen off, and because flour could be manufactured more cheaply in Ontario, the mill was closed and the employees and their families, some of whom had grown up within the shelter of the mill, were thrown on their own resources. Some of them, I understand, are on relief. If there is any industry which should succeed, it is one which has the raw material right at its doors. There we had a milling industry, situated in the heart of the greatest grain-growing district in western Canada, enjoying protection, as regards their product, provided by the rest of the people of Canada, and enabled to buy their grain from the farmer at the Fort William price. The farmers of Portage la Prairie pay the freight on that wheat to Fort William; but the wheat which was sold to the mill did not go to the head of the lakes, it was ground into flour in Portage la Prairie, the freight from Fort William to the loading point was deducted, and for a payment of one cent per hundred pounds, or per bushel, they had the privilege of loading this car, after the grain had been unloaded, with their own flour and shipping it to Fort William; and the farmers paid the freight. The mill enjoyed all these concessions from the people of Canada; yet, when hard times came, your eastern industry folded up and went back to the east. The point I want to make is, has the government no influence with the manufacturers of eastern Canada? Is there no way of persuading them; yes, is there no way to force them to go out to western Canada and try to build up that country so that we may have a more balanced economy?

We buy our goods from the east and pay the freight on them to the west. I now come to another sore spot. I refer to agricultural machinery, which for the most part is made in eastern Canada, and we pay the freight to the west. To-day we are paying almost twice as much for a binder as we did in 1914, yet we are receiving the same price for our grain as we did then. It is not fair. We in the western country are up in arms. The governments of the three prairie provinces have met to discuss what should be done, and it was suggested that machinery might be manufactured in western Canada. That is an invitation to the Massey-Harris company, the Cockshutt company or any other Canadian company to establish a factory in western Canada and manufacture their goods there. I believe that such transfers of industry would conduce to a more balanced economy and a more contented people.

Mr. HATFIELD: Would the minister consider making the same agreement with New Brunswick when the new agreements are made as with the other provinces?

Mr. McLARTY: Oh, yes. We deal impartially with all the provinces. It is a matter of the request coming from the province itself. We are quite willing to enter into the same kind of agreement with New Brunswick as with any other province.

Mr. HATFIELD: The department should have a uniform basis of agreement throughout Canada. I do not think New Brunswick should be discriminated against.

Mr. McLARTY: Any discrimination is not the fault of this government. Whatever request comes from New Brunswick, or from any other province, will be considered and acted upon. By that I mean that there is no intention on the part of the federal government to discriminate against New Brunswick.

Section agreed to.

Section 4 agreed to.

On section 5—Conditions of financial assistance.

Mr. DIEFENBAKER: Would the minister explain the system of control used by the dominion government in reference to moneys advanced to the provinces? What is the nature of the control? What executive officers represent the dominion?

Mr. McLARTY: I wonder if I understand my hon. friend correctly. Does he mean advances for material aid or for works? The matter of loans to the provinces?

Mr. DIEFENBAKER: Yes.

Mr. McLARTY: That is handled by the comptroller of finance. He makes the loans to the provinces; they are not made by the Department of Labour.

Section agreed to.

On section 6—Orders and regulations.

Mr. ADAMSON: I would suggest to the minister that, when he considers such orders, he should regard this bill as a three-point programme: first, for unemployment insurance; second, for health insurance; and, third, —I see the item on the next page—for youth training. I come from an industrial riding where this is a vital subject. All these items are interlocking, and unless they are carried out as one and the same programme, we shall not get as far with this measure as we should do. I have had as many as 14,000 people on relief at the same time in my riding. These orders should be made so that unemployment, health insurance and these other items shall be dealt with in an interlocking operation.

Mr. McLARTY: As the hon. member knows, we are proceeding with unemployment insurance, so that a further answer is not needed on that point. In the matter of health insurance I speak now from recollection, but in the recommendation of the dominion-provincial commission it is stated, as part of the general programme, set out in that report, that health insurance is one of those subjects which properly fall within the jurisdiction of the provinces. The matter of youth training we can go into fully when we are on the estimates.

Section agreed to.

Sections 7 and 8 agreed to.

On section 9—Appointment of officers, clerks and employees.

Mr. POULIOT: We look at page 18 of the estimates for details of the vote on unemployment relief, but we find no details there. There is an expenditure of $155,000, but there are no details on another page as in the case of other items of the Department of Labour, at page 17 for instance.

Mr. McLARTY: To which item is the hon. member referring?

Mr. POULIOT: This section of the bill provides for the employment of a larger number of officers, clerks and employees in the relief branch. There are two arrangements with regard to staffs in the various branches of the Department of Labour. For some branches details are given showing the number of employees. I refer the minister to page 17. On page 18 there are no details of employees of the unemployment relief branch. Would it not be possible to have details for all branches of the department? There are some men in the department receiving salaries —one in particular who receives $6,000 and his work is mentioned nowhere. He is here at times in the gallery; I sometimes see him. In my humble view he does absolutely nothing. There are some others who are not working very hard, not earning their salaries by the sweat of their brow. I wonder why there are more officers, clerks and employees.

Mr. McLARTY: This merely provides, as has been done in previous years, that these officers responsible for the administration of youth training shall be paid out of the Unemployment and Agricultural Assistance Act. It is not intended to have additional employees taken on. This just carries on in the same manner as before and details will be available when the estimates are before the committee.

Mr. POULIOT: I would ask the minister to take a note of what I have said and to have the details of the unemployment relief branch given in connection with the estimates.

Mr. ROSS (St. Paul's): Should not the details of administration under this act be given in the report?

Mr. McLARTY: This clause is in the act by reason of the fact that no provision is made in the Youth Training Act; consequently payment of expenses is made by virtue of this act. The details of employment will be brought down in the estimates.

Section agreed to.

Sections 10 and 11 agreed to.

Bill reported.

SUPPLY

The house in committee of supply, Mr. Vien in the chair.

DEPARTMENT OF AGRICULTURE

Administration service.

1. Departmental administration, $120,005.

Mr. SENN: I wish to bring to the attention of the minister a matter that concerns the activities of the department. I have the highest regard for the officials, many of whom I know personally, and I think they are capable men, but there is one matter in regard to which there seems to have been some mistake on the part of some of the officials. I would refer the minister to a return to an order of the house, sessional paper No. 1150 brought down on June 12, 1940, at the request of the mover the hon. member for York East (Mr. McGregor). It asked for a copy of all agreements entered into between the government of Canada, the Canadian Department of Agriculture, the Canadian bacon board or any other governmental body and the British government, the British supply

board or any organization in Great Britain, relating to the price to be paid for Canadian exports of pork products to Great Britain, and for the amount of such products to be shipped to Great Britain. It also asked for copies of all letters, telegrams, correspondence, orders in council and other documents exchanged between the two governments, or organizations representing them, regarding the matter in question.

In my opinion, and in the opinion of many others, there was some kind of agreement between the government of Canada and some governmental body in Great Britain respecting exports of bacon and pork products to Great Britain. I have before me a copy of bacon board bulletins Nos. 1 to 4. No. 1 makes the statement that the board and its advisory committee were appointed by the government on December 20, 1939, to implement the terms of the agreement made with the United Kingdom government for the delivery to the British ministry of food of 5,600,000 pounds of bacon weekly, and such additional quantities as might be required. Then it goes on to state:

> The contract price is $20.18 per 112 pounds, equivalent to $18.01 per 100 pounds, f.o.b. port of export for grade A Wiltshires and relative prices for B grade and the various cuts, as provided for in the schedule of prices included in the agreement. The contract price is retroactive to include all bacon arriving in England from November 17, 1939, to October 31, 1940.

In response to this order I find the answer given: "So far as the Department of Agriculture is concerned complete bacon agreement information between British government and government of Canada not available for publication." That is signed by the assistant deputy minister. There is also a reply from the under-secretary of state for external affairs stating that there is no information available, and one also from the Department of Trade and Commerce making the same statement. I think there must be an error, because evidently there was an agreement, and I would ask the minister if he would table those agreements.

Mr. GARDINER: There is no error. The Department of Agriculture has no information on the matter. The agreement is made through the Department of External Affairs, and the British government have made it conditional that the heads of that agreement are not to be made available to the public. That is what the statement, "no information available", means.

Mr. HANSON (York-Sunbury): The statement is a little misleading, is it not? If it said what the minister has now stated, that the British government do not want this information to be made available, it would have been clear, and perhaps the question would not have been asked.

Mr. GARDINER: It is a question answered by two different departments, and we did not wish to make explanations concerning the Department of External Affairs.

Mr. SENN: Does the minister mean by the statement, "the heads of that agreement are not to be made known", that the agreements were not supposed to be made known?

Mr. GARDINER: The request of the British government was that the agreement as such was not to be published. The matter of prices has been discussed publicly, but we were asked not to publish the agreement as such.

Mr. ROSS (Souris): In the item "travelling expenses" on page 59 there is a reduction from $11,000 to $7,000. How does the minister estimate that reduction?

Mr. GARDINER: As I stated on a previous occasion, we have been asked to cut down our expenditures for this year to assist in the war effort. We have made cuts all the way through. There are cuts in staff, and more particularly in the part-time staff, and that has made it possible for us to reduce travelling expenses somewhat in connection with certain activities.

Mr. HANSON (York-Sunbury): The cut in the total vote is not substantial. In the summary on page 2 of the estimates the decrease is shown as $4,827,273. I have not looked at these estimates for a number of years, and am not very familiar with them. But $18,000,000 for 1939-40 shows a substantial growth from 1930. I remember when the Department of Agriculture estimates were about $12,000,000, and we always thought that pretty large. Last year the amount was $18,000,000, and now it is back to $13,266,000 That is some progress in the right direction I should like to know about one item, the general executive assistant. How long has that official been on the payroll? I do not recall having heard of an officer by that title before.

Mr. GARDINER: The general executive assistant is Mr. Hamer, who has been on the staff for many years, and was appointed to this position on the reorganization of the department three years ago, 1937, I think.

Mr. HANSON (York-Sunbury): I suppose when he was appointed to that job he got an increase of salary?

Mr. GARDINER: Yes, there was an increase in his salary.

Mr. HANSON (York-Sunbury): That is what usually happens.

Mr. CASTLEDEN: What is the relation between permanent staff as compared with temporary?

Mr. GARDINER: It is rather difficult to explain the basis on which temporaries are made permanent. I found that difficulty when I came to Ottawa. In the province I had always been accustomed to a temporary being a person who was on the temporary list for six months and then became permanent. That is not the practice here. There are persons who have been on the staff for twenty years and are still temporaries.

Mr. STIRLING: Yes, thirty years.

Mr. GARDINER: Yes, I presume some have been there thirty years. Those on the permanent staff have certain rights that the temporary staff do not have; they become subject to the provisions of the superannuation and other such acts. There is a ratio set in all the departments; in the Department of Agriculture we are supposed to keep our temporary list up to fifteen per cent; eighty-five per cent of the employees are permanent and at least fifteen per cent are suppose to be kept temporary under the regulations of the treasury board.

Mr. NICHOLSON: Are those about the percentages as they are in the department?

Mr. GARDINER: Yes, very close to that, I think almost exactly that at the present time.

Mr. HANSON (York-Sunbury): What is the policy of the minister with respect to savings in the case of vacancies occurring by death or retirement? Is it the intention promptly to fill such vacancies, or will the minister attempt to save something in war time by not filling those positions which might be considered as extra help? I mentioned this to the Minister of Trade and Commerce some weeks ago, and recommended that in war time an honest attempt should be made to save on the civil list of this country. The Minister of Finance this afternoon, speaking of salaries, intimated that it cost this country $80,000,000 for the civil list inside and out. That is a huge sum for Canada to be paying for the civil list, especially in war time. I would recall to the minister what I said to his colleague, that between 1930 and 1935, when this country was going through the greatest economic war in its history, a period which I hope will never be repeated in this country, the government of that day followed the practice of not filling positions that became vacant unless they were key positions and absolutely necessary. When we went out of office there were literally thousands of positions left unfilled, and the service of the country did not suffer one iota. Will the minister say that consideration will be given to a policy of that kind now? I should think this country could be run, aside from its war effort, for a great deal less than $80,000,000, especially having regard to the fact that prior to the last war the total budget did not much exceed that figure. We should seek for quality rather than quantity in the civil service.

Mr. REID: The government can hire but it must not fire.

Mr. HANSON (York-Sunbury): The hon. member has crystallized the idea that I had in mind but to which I was not intending to give expression. Once on the government payroll, whether you are any good or not, apparently you are there for life. During all the years of my public life I have been appalled at the number of people who wanted to work for the government. I found that most of them—not all of them, I am glad to say—were men who made a failure in private life.

Some hon. MEMBERS: Oh, oh!

Mr. HANSON (York-Sunbury): Yes, most of them. That has been my own experience—and of course I can speak only from my own experience. But that experience has covered a long period of time. Of course such a situation ought not to exist. If at all possible, we should get away from that condition, and particularly in war time. I would invite the minister to make a statement of policy in regard to the very important matter to which I have alluded. We ought to be able to save something out of $80,000,000, without any detriment to the service. I believe in paying good men good salaries. I have always demanded that for myself, provided I gave the service.

Mr. GRANT: You never did, though.

Mr. HANSON (York-Sunbury): I would not say that. The hon. gentleman does not know what he is talking about—and perhaps he is not serious. I shall leave it at that.

Will the minister say what the intention of the department is to be? I notice that in the minister's office there is an increase in salaries from $87,760 to $94,150, and that increase is to a large extent made up by temporary assistance. Therefore, while the vote remains the same, the salary roll has grown. I suppose some of the difference would be made up by statutory increases.

Mr. GARDINER: In answer to the question whether it is the intention of the department not to fill vacancies when they are created by

death or superannuation, it is the general intention where possible to leave the vacancies unfilled, in order to get down to the estimates for the present year. As the leader of the opposition will understand, of course, there are certain positions which, when vacated, must be filled.

Mr. HANSON (York-Sunbury): I understand that.

Mr. GARDINER: In such circumstances appointments have to be made. But the general tendency will be to move employees up, and probably leave the lower positions vacant. Of course we will take into consideration at all times what I said a moment ago, namely that there will be certain positions which, because of their importance, must be filled when they become vacant.

In connection with the increased expenditures in the department I would make one or two observations. Going back to about 1935 we find that expenditures were for certain purposes, but since that time we have had added the Prairie Farm Rehabilitation Act. That was added in 1935 by a former government. Then there was the Prairie Farm Assistance Act, under the present government. Since that time the science services building has been erected and staffs employed therein. Legislation has been passed respecting cheese and cheese factories, and provision for certain other activities was made. Then, there has been provision for the reestablishment of settlers. Since the time I mentioned all those activities have been added to the department; and yet in this year we are carrying on the department, with those additional activities, on an estimated expenditure of $13,266,323.09 whereas last year $18,093,596.50 was provided for the activities of the department.

Mr. HANSON (York-Sunbury): I hope the minister will consider this point: History has shown that once a government bureau is established, a great deal of courage is required to get rid of it. I recall having a conversation with a gentleman who at one time sat for the constituency of Renfrew South, and who a few years ago became minister of Trade and Commerce. He assumed the portfolio with all the zeal of a new minister, and directed his secretary, a very capable person, to make a survey of all departmental branches. With the survey before him he came to the conclusion that he could effect a substantial saving by cutting down personnel and doing away with some of the bureaux in his department. His personal experience as told to me was this: He called the chief of one bureau before him, but before the interview was over the gentleman who had been summoned had convinced the minister that his branch was most important—even the most important in the whole Department of Trade and Commerce. Before forty-eight hours had expired, the minister was convinced that he was wholly wrong, and that instead of being abolished, the personnel of the branch ought to be doubled. Judging by the number of telegrams he received from all parts of Canada urging him not to touch the department, he was forced to the conclusion that its activities ought to be increased.

To make a long story short, my friend Tom Low threw up his hands.

Mr. GARDINER: The civil servant was let out.

Mr. HANSON (York-Sunbury): That may be so. Tom went out. He found it impossible to cope with bureaucracy. That is what actually happened, and that was his personal experience as related to me some months afterward.

I hope that when the functions of these new branches have been concluded, the minister will see that they are promptly abolished. I say that because I believe it is a fact that once they get into the governmental activities of the country, they remain there for a long time. If any useful work can be performed they will seek transfer to some other branch. I am just throwing out a friendly word of warning.

Mr. McIVOR: I suppose the leader of the opposition would say it is a dangerous thing to say anything about the civil service.

Mr. HANSON (York-Sunbury): I did not say that.

Mr. MacINNIS: I notice an item of $16,140 for temporary assistance. Is that an expenditure for what are known as permanent temporaries, or for assistants who may be called in for rush work during the year?

Mr. GARDINER: Those are temporary employees on the basic staffs of the department.

Mr. MacINNIS: Why are their positions not indicated in the same way as those of the permanent staff. They work from year to year, and there is no reason why their positions should not be indicated in the same manner.

Mr. GARDINER: The reason for their not being enumerated is that the temporary positions are reestablished every six months. That is, at the end of every six-month period they are subject to removal, although in many instances they have been working for many years.

Mr. MacINNIS: Would the minister break up the amount of $16,140 and tell the committee how many are stenographers, how many are clerks, and so on.

Mr. GARDINER: It would take some time to do that. I will have to go through the whole staff of the department.

Mr MacINNIS: If it will take too much time, let it go.

Item agreed to.

Administration service.

2. Publicity and extension, $109,650.

Mr. HANSON (York-Sunbury): There seems to be a substantial reduction in this item, and perhaps the minister could state briefly where the saving is being made. I notice there is a reduction of three in the personnel while there is an increase in temporary assistance. Apparently the item of $4,000 for advertising and publicity is cut out altogether.

Mr. GARDINER: The savings are as follows:

Permanent staff	$ 6,860
Wages	1,740
Advertising and publicity	4,000
Express, freight and cartage	500
Printing and stationery	6,020
Supplies and materials	12,000
Telephones, telegrams and postage	500
Travelling expenses	2,700

There is an increase of $3,240 in the temporary staff, which gives a net decrease of $31,080.

Mr. SENN: I would judge that there will be fewer publications issued and circulated this year. Some of these publications are important and serve a useful purpose to the farmers and other people of Canada. Would the minister indicate just what publications will be done away with, or will the reduction simply be in the number of copies circulated?

Mr. GARDINER: Some of what might be called the permanent publications will be cut down, at least in number. There would be a smaller expense for postage if a lesser number were sent out. During war time we will probably put out special publications containing information with regard to any agreements that may be entered into with Great Britain in connection with bacon, apples or other commodities. Some of our production publications may have to be reduced in number.

Mr. SENN: Are the new publications provided for in this vote or are they covered somewhere else?

Mr. HANSON (York-Sunbury): They should be in this vote.

[Mr. Gardiner.]

Mr. GARDINER: This particular item does not cover the cost of printing; it covers all services in connection with the sending out of the publications.

Mr. SENN: There is a most important annual publication sent out by the department entitled "The Agricultural Situation and Outlook". This publication forecasts to a certain extent the foreign and domestic market requirements and gives the farmer some idea of what will be the most profitable to produce. I understand it is to be discontinued this year. We are needing increased production because of the war and the government has promised to organize for war production. It seems to me that a periodical of this kind should be continued. The minister stated that certain publications having to do with production will likely be discontinued. Without wanting to offer too much criticism, it seems to me that this is the class of publication which should be continued. The farmer wants to know what to produce. He wants to know the requirements of the markets in Great Britain and other places. He wants to know whether his production is along the right channel. Is there any intention of issuing this annual publication?

Mr. GARDINER: This publication is not put out entirely at the expense of the Department of Agriculture. Its cost is covered partly by the Department of Trade and Commerce and by the economics branch of the Department of Agriculture. Its cost is not covered by this item. I am informed that there would be some difficulty in putting out this publication in its usual form during war time. This publication made forecasts with regard to the possible happenings in connection with agriculture in different places, and it would be difficult to give that information under present conditions. It is intended to get out in its place a periodical setting forth the agricultural activities related to war in different places.

Mr. NICHOLSON: Does this vote cover advertising in the British market?

Mr. GARDINER: No; this vote does not cover the advertising which the hon. member for Mackenzie has in mind. Much larger grants are provided for that under marketing or under the War Measures Act. Advertising in Great Britain is carried on by the Department of Trade and Commerce.

Mr. MARSHALL: If I understood the Minister of Finance correctly, he stated this afternoon that there would be no supplementary estimates brought down this year. Am I therefore correct in assuming that the

total amount to be expended this year by the Department of Agriculture will be $13,254,323.09?

Mr. GARDINER: That is the amount in the estimates, and I am afraid I would have great difficulty in getting the Minister of Finance to let me expend any more. There may be less expended, but there certainly is not much likelihood of the expenditures being greater. The Minister of Finance stated that he did not expect to have any supplementary estimates this year unless they were made necessary by legislation. I do not imagine there will be any such legislation passed in connection with agriculture.

Mr. MARSHALL: At the bottom of page five of the estimates is an item, "appropriations not required for 1940-41, $2,735,330." If there are to be no supplementary estimates, then it is perfectly correct to deduct that amount from these estimates. I maintain that those figures should not be included with these particular items.

Mr. GARDINER: They are not in the estimates if they are not required.

Mr. MARSHALL: Those figures have nothing to do with the votes on those pages.

Mr. HANSON (York-Sunbury): They are put in to make a balance.

Mr. TUSTIN: Did I understand the minister to say that there was nothing in this item to cover the printing of any of the pamphlets which are sent out? As I understand it, the item simply covers advertising and publicity for this department.

Mr. GARDINER: They do duplicating, but the original printing of bulletins is charged, not to this account but to other accounts in the different branches.

Mr. SENN: A considerable proportion of this vote has been appropriated from time to time for exhibits at fairs and for bonusing of seed fairs, providing prize money, and so forth. Is it the intention to do away with that type of publicity and extension work, or will it be continued this year?

Mr. GARDINER: The exhibits are being continued on a limited scale this year, but there is nothing in this vote for the bonusing of seed fairs.

Mr. HANSON (York-Sunbury): Does the cost of exhibits come under this vote?

Mr. GARDINER: Yes.

Mr. SENN: What is the procedure followed in having an exhibit at a fair? Does the department designate the exhibits after consulting with the fair board?

Mr. GARDINER: We first get a request from those who are holding the fair, asking us to put on an exhibit. We consider the request, the resources we have, and the benefit we would get from such an exhibit, and then if we decide to put on an exhibit we determine how much shall be spent.

Mr. SENN: In all fairness I must say that I have noticed some of these exhibits put on by the Department of Agriculture, by the health of animals branch or some other branch, and they are interesting and attract considerable attention. So far as possible I think that work should be continued.

Another portion of this vote is used for press notices sent out to the different newspapers and containing information for agriculturists all over the country. Will that be continued, and to what newspapers are these notices sent? Is there any remuneration to the newspapers for publishing such press notices? I have heard local newspaper editors at times complain that they published a good deal of this material and got very little thanks.

Mr. GARDINER: It is the intention to continue sending out that information, but whether we do so to as great an extent as before will depend entirely on the money available.

Mr. HANSON (York-Sunbury): Do you pay for publication?

Mr. GARDINER: No; we simply send out the notices and it is left to the judgment of the newspapers whether they publish it or not, but in many instances they do.

Mr. CASTLEDEN: There is a reduction of about $12,000 in the item for supplies and materials, as shown on page 60 of the estimates. What is the nature of these supplies and materials?

Mr. GARDINER: Paper, ink, stationery and supplies of that kind in connection with exhibits and so forth.

Mr. DOUGLAS (Weyburn): Is there nothing for advertising?

Mr. GARDINER: The advertising has been cut out. Any advertising we do will be done under the larger items, under "marketing" and so forth.

Item agreed to.

Administration service.

3. Advisory committee on agricultural services, $3,000.

Mr. PERLEY: Who are the members of this committee?

Mr. GARDINER: It is largely composed of persons associated with the department or with agricultural colleges and institutions of that type. The executive committee consists of: H. Barton, Deputy Minister of Agriculture, Ottawa, chairman; E. S. Archibald, Director, Experimental Farms Service; A. M. Shaw, Director, Marketing Services; J. M. Swaine, Director, Science Service; G. I. Christie, President, Ontario Agricultural College; W. R. Reek, Deputy Minister, Ontario Department of Agriculture; L. P. Roy, Deputy Minister of Agriculture, Quebec; Robert Newton, Director, Division of Biology and Agriculture, National Research Council; T. C. McQuat, General Agricultural Agent, Canadian Pacific Railway Company; H. L. Trueman, Assistant to Director, Science Service.

Mr. DOUGLAS (Weyburn): Are they all selected by the minister?

Mr. HATFIELD: Are they paid salaries or expenses?

Mr. GARDINER: There are no salaries for this work but there are expenses. The secretarial work is paid for.

Mr. DOUGLAS (Weyburn): How often did they meet last year?

Mr. GARDINER: The committee meets usually once a year, but sometimes twice.

Mr. HANSON (York-Sunbury): The temporary assistance I presume is for secretarial work?

Mr. GARDINER: Yes.

Mr. DOUGLAS (Weyburn): There is a reduction of $2,000 in travelling expenses for the advisory committee. Is a meeting not contemplated this year?

Mr. GARDINER: The amount provided for travelling expenses is not only for the advisory committee but for subcommittees as well which meet at different places more often. We shall have to cut down on some of those meetings, but the general meeting will be held.

Item agreed to.

Administration service.

4. Contributions to empire bureaux, $33,823.34.

Mr. HANSON (York-Sunbury): This seems to be a standard item. Are we continuing annual grants to these bureaux notwithstanding the war?

Mr. GARDINER: I do not think there will be any difficulty about the empire bureaux functioning, but there may be some difficulty about the international institute of agriculture.

Mr. SENN: That meets at Rome?

[Mr. Perley.]

Mr. GARDINER: Yes. If there is any difficulty about that one functioning, the money will not be paid, but I do not think we should remove the amount from the estimates. When the estimates were made up, there was not the same reason for discontinuing the item as now.

Mr. HANSON (York-Sunbury): I understand what is meant by entomology, but what is meant by mycology?

Mr. GARDINER: It is the systematic study of plant diseases, more particularly fungi.

Mr. HANSON (York-Sunbury) Perhaps this is not the proper item on which to bring this matter up, but the department has built a small laboratory at Fredericton. It was built under contract and is nearing completion. I was informed by the contractor when I was home that unless a little more money is spent on it and at least a roof put on the building, there will be a loss. I would hope that the minister would have that building completed. I think it is needed, and if ever the building was needed it should be gone on with now because it will take only a little more money to complete the whole thing. I hope it may be done.

Mr. GARDINER: If the leader of the opposition would permit me to defer the explanation until we get to the other item, Doctor Swaine will be here.

Item agreed to.

Administration service.

5. International Institute of Agriculture, $12,000.

Mr. NICHOLSON: Would the minister tell the committee the nature of the services performed by the international institute?

Mr. HANSON (York-Sunbury): That is the Rome conference.

Mr. GARDINER: It is largely an international statistical service, and supplies statistics which we would find it very difficult to secure through our own staffs. The institute is an international organization and a clearing house to which different countries send statistics. We simply subscribe to it a certain amount to help pay the costs, and we are entitled to all information which is sent out.

Mr. NICHOLSON: What kind of statistics?

Mr. GARDINER: Having to do with agriculture; for example, the amount of grain that is grown in different countries and areas, statistics regarding live stock, the treatment of diseases, and that sort of thing.

Mr. DOUGLAS (Weyburn): Is the work still going on?

Mr. GARDINER: As I said a moment ago, there might be some difficulty about our subscribing to an organization whose headquarters are in Rome, and if it is found impracticable either to secure the service or to make the subscription, our subscription will cease. At the time these estimates were made there was not the same reason as there is now for taking that position, and we decided to leave the item in the estimates.

Mr. DOUGLAS (Weyburn): Are we getting the service at the present time?

Mr. GARDINER: We were, until war was declared. There is some doubt whether we shall be able to continue to get it.

Item agreed to.

Science service.

6. Science service administration, $25,467.

Mr. GARDINER: There are two of a staff —a clerk grade 3, and a clerk grade 2—in addition to the staff we had previously.

Mr. COLDWELL: What work is undertaken in this particular branch?

Mr. GARDINER: All of the sciences are under this branch; that is, all the studies such as entomology, as indicated in item 11; the study of diseases of plants, the study of diseases of animals, the study of chemistry in relation to plant life and also in relation to the treatment of diseases.

Mr. COLDWELL: The staff is rather small for that amount of work.

Mr. GARDINER: This item provides only for the administrative staff. Many of these activities are conducted in different parts of Canada.

Mr. NICHOLSON: I notice there is an item "cooperative investigations"; and that the amount is reduced from $5,000 to $2,100. Could the minister tell us something about the work covered by this item?

Mr. GARDINER: This has to do largely with the projects carried out at the various universities and colleges associated with universities. We shall simply have to reduce the work in some directions.

Mr. NICHOLSON: What sort of work?

Mr. GARDINER: It might be in any branch of science. We carry on certain types of work at one laboratory because they have the equipment to do it; other types are handled in other universities. The cooperation is between this department and the provincial department or the university staff.

Mr. NICHOLSON: Cooperative investigations?

Mr. GARDINER: Investigations carried out on a cooperative basis. The term may not be exactly descriptive of the work.

Mr. MARSHALL: Is the minister in a position to state what amount was spent last year?

Mr. GARDINER: The entire vote was spent last year.

Item agreed to.

Science service.

7. Animal and poultry pathology, $146,615.

Mr. REID: Is it under this item that the Langley Prairie research laboratory comes? I notice a reduction of about $11,000.

Mr. GARDINER: Yes, it is under this item.

Mr. REID: Is it intended to carry on that station this year?

Mr. GARDINER: We will carry it on to the extent that it is possible with the money we have available, and in order to clear up the work which is now under way, to complete the investigations that are now being carried on. It may not be possible to start new investigations.

Mr. REID: I hope that the minister and the department will see their way to carry on this work, because it is the only laboratory of its kind in British Columbia. It investigates animal diseases which exist in no other province. The mortality of the cows in that district is extremely high—as high as twenty-five per cent.

Mr. HANSON (York-Sunbury): What is the matter? The climate?

Mr. REID: The disease is known as bovine haematuria. I believe the ordinary name is red water. But there are districts with fifteen per cent mortality. One farmer who breeds foxes has slaughtered over 200 cows in five years. Research work was started in 1934. It has been carried on year after year, and in my opinion should be maintained, irrespective of the war and of reductions in departmental estimates, with a view of finding the cause of this disease. I believe it exists only in the Fraser valley. It has existed there for fifty or sixty years. No one has discovered the cause. It is not contagious. It does not show up until an animal is two years of age; but the losses are extremely heavy. I know that our farmers are very much worried to learn that this research work is likely to be

eliminated, and I plead with the minister of the department not to stop this work on the Red Water farm at Langley Prairie.

Mr. HANSON (York-Sunbury): According to what the hon. member has said, it seems to be a hopeless case. Why spend any more money on it?

Mr. REID: I do not think we should give up. Because the source of the disease has not been discovered is no reason why we should throw up our hands and say that the thing is impossible. Some research work has gone on for years. A doctor there has done considerable research in an endeavour to find out the cause of the disease, and there are reasons to hope that he will come to the root of the trouble. Just to drop the research work and allow conditions to go on as they are does not seem to me to be good business, especially because the mortality is so high.

Mr. GARDINER: Investigations in connection with red water have been carried on pretty well all over the globe, wherever this disease occurs, and it may be described as almost world wide in its ravages. The investigations at this particular point have become more or less routine. The investigators have found out certain things and have kept records of their findings. Other investigations and experiments are being carried on elsewhere with regard to the same problem. The officials think that if we are to go further we should start out on different lines from those that have been followed up to the present time. We have gone as far as we can go with the investigations now being carried on, and it is thought that this is a good time to discontinue what in our opinion has been carried as far as possible.

Mr. SENN: This is an important item. A good many of the animal diseases that are being dealt with by this department could also be discussed under health of animals. For instance, there is a very contagious disease known as Bangs which is quite prevalent all through Ontario and throughout the dominion. There is another disease known as shipping fever, which occurs when cattle are brought into the stock-yards and even when they are brought into large fairs. When the farmers bring them from the stock-yards, treatment must be given from time to time or there may be losses.

Another matter I would mention is the outbreak of hog cholera in Ontario during the past year. That outbreak has been quite serious and there are different ideas as to how it originated. A good many people believe—and the contrary has not been proved—that it was probably brought into this province and into the dominion through importations of United States pork in the past year. It is said that cholera can be carried in the skin of the animal, and when that skin is cut off and thrown into the garbage pail, unless it has been thoroughly fumigated or boiled it is apt to cause infection in animals that eat the swill. What investigation is being made into hog cholera throughout Canada? What efforts are being made to stamp out the disease? I should like to know if there is any truth in the assertion that it may be and probably is due to importations of United States pork into Canada.

Mr. GARDINER: The proper place to discuss the point just raised would be under item 16, health of animals. That is where the services are administered in connection with the control of these diseases, particularly hog cholera.

Mr. SENN: Are they not dealt with under this item?

Mr. GARDINER: Not in connection with this at the present time.

Mr. SENN: Shipping fever is prevalent in my own community, and it has been difficult up to the present to discover a treatment for it which was entirely satisfactory. I believe there is some kind of serum which is being produced and which, if administered at the proper time, will effect a cure, but so far there has been nothing definite or altogether satisfactory. I should like to know if this particular branch is investigating this disease. The disease has caused a good deal of loss particularly in my own community and, I fancy, throughout Canada. If any investigation has been carried on, what success has it met with?

Mr. GARDINER: The disease is not being investigated at present. In the past there have been investigations of different kinds and in different places, and information is available as to how the disease can be treated and how it can be controlled. That information is not always acted upon; it is not always available at the time the disease may develop. It develops under peculiar circumstances. It quite often happens, as the name implies, when stock is being shipped, and as a result of weather conditions, conditions in cars and so on. If the information which is available for the treatment is followed, it is fairly effective, but no investigation is being carried on under this head at the present time.

Mr. SENN: I am pleased to hear what the minister has had to say in that respect. The other disease to which I have referred is even more fatal and causes more loss

to live stock men and cattle producers of Canada than the others. The disease is known as Bangs. A serum is being produced at the Ontario Agricultural College, but evidently it is not allowed to be distributed by the federal department. I do not know exactly what the reason is, but so far farmers whose herds have been affected by this disease have had trouble in getting treatment. I believe there is an underground activity going on by means of which serum is being used by certain veterinarians and farmers, but I understand it is contrary to law at the present time to sell that particular remedy or to use it. This is the department that should investigate the germ which causes this disease and try to eliminate it. What is being done?

Mr. GARDINER: An investigation is being carried on in connection with Bangs disease. It is concerned with calf's vaccination which it is hoped may be the means of preventing the disease, but it has not so far been established that it is a preventive. Experiments are being carried on by our department over at Hull across the river and at Guelph by the veterinary college there. These two experiments are being conducted in the hope that they may establish the remedy as a preventive. So far that has not been established and it is not yet recommended.

Mr. SENN: The minister says it is not being recommended. Is there any prohibition of the serum which is being produced at Guelph being used by veterinarians and sold to the public?

Mr. GARDINER: Yes. The department takes the position that it is not possible to release this vaccine to the public without upsetting the whole investigation that is being carried on. Until the vaccine is properly developed and produced in quantities that could be distributed properly, there will be no distribution.

Mr. SENN: What reaction would there be to it? What difficulties would arise, or in what way would it damage any investigation?

Mr. GARDINER: The present system of control is one of testing for the purpose of getting reactions and removing the reactors. If this vaccine were distributed throughout the country and persons allowed to use it, it would render the stock susceptible to the test which is now being carried on, and while they are carrying on the present policy of trying to eradicate the disease through location of it and having animals removed from contact with other animals, it is not thought wise to put out this product. The practice would upset the whole policy which the department is following at present, particularly when it is not at all assured that vaccination would be a preventive.

Mr. SENN: I ask this because I have been asked the same question a number of times by live stock men, and I could give no satisfactory answer as to why they were not allowed to use the serum.

Mr. NICHOLSON: Last year three veterinary inspectors were provided for; this year there are two. Where are these inspectors located and what is the nature of their work?

Mr. GARDINER: The three were in the Hull laboratories across the river, and this year there will be only two.

Item agreed to.

Science service.

9. Botany and plant pathology, $283,193.

Mr. STIRLING: What will it be necessary to cut out under this reduction?

Mr. GARDINER: Under permanent employees the reduction is $3,135; temporary employees $1,240, wages $7,006, equipment $5,485—

Mr. STIRLING: Those are the particulars on page 62 of the estimates, but what work which has been considered valuable in the past will it be necessary to cut out?

Mr. GARDINER: There is no particular service that is being eliminated; it is cutting down expenses of the service all the way through.

Item agreed to.

Science service.

11. Entomology, $430,509.

Mr. ROSS (Souris): There is a great saving shown under this heading. What is the position relating to grasshoppers in the west, and the arrangement as between the federal and provincial authorities for combating these pests?

Mr. GARDINER: This department does not pay what might be called the greater cost in connection with the fighting of grasshoppers, the buying and spraying of poison and that kind of thing. That is done by the provincial government. This department gives a service which amounts to the mapping of the areas and that type of service; that is included in the general expenditures in connection with this item. I am not in a position to segregate it from the total amount.

Mr. STIRLING: Would the minister give the committee some information regarding the pine bug, the bug that has been working in

the white pine and spruce trees, particularly in British Columbia? That comes under this item, does it not? There were parties out last year, I think. Will they be continued this year?

Mr. GARDINER: The white pine bark beetle is the only one with regard to which we have been carrying on activities on the western coast. There will be activity in relation to it this year, but the expenditure will have to be less than last year.

Mr. STIRLING: Do those parties work directly under Ottawa, or do they come under the official at Vernon?

Mr. GARDINER: Yes, under the Vernon laboratory.

Mr. STIRLING: Is it true that the Colorado potato beetle is doing excellent work in the German potato fields? I was informed the other day that a serious infestation had been discovered in Germany and neighbouring countries.

Mr. GARDINER: There is some information to that effect.

Mr. SENN: What progress is being made in fighting the corn borer in Canada?

Mr. GARDINER: Control work in connection with the corn borer is carried on entirely by the provinces. Investigational work is carried on by our department, and that is going on.

Mr. NICHOLSON: The army worm has been doing a good deal of damage in northern Saskatchewan. Is provision made to deal with that under this item?

Mr. GARDINER: Only the investigational work. All the work having to do with the combating of these different pests is carried on by the provincial governments.

Mr. HATFIELD: Is anything being done to secure the removal of the British embargo against potatoes from Canada on account of the Colorado beetle? They cannot secure potatoes from Germany or France, Holland or Denmark at present, so it would seem to be a good time to take the matter up.

Mr. GARDINER: Representations are made from time to time to Great Britain in an attempt to have the embargo removed, but up to date they have refused to admit them.

Mr. HATFIELD: This Colorado beetle is in Germany, France and Holland, whence they have been securing potatoes. I think they will need our potatoes now. The Colorado beetle was just an excuse by the farmers' union of Great Britain. Now, since they need our potatoes, this would seem a logical time to have the embargo removed.

[Mr. Stirling.]

Mr. GARDINER: We shall continue to press the matter, but of course it is for Great Britain to decide whether they will take the embargo off.

Item agreed to.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Tuesday, June 25, 1940

The house met at three o'clock.

PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 52, for the relief of Ethel Cahan Naihouse.—Mr. Bercovitch.

Bill No. 53, for the relief of John Roy Fumerton.—Mr. Bercovitch.

Bill No. 54, for the relief of Paul Edouard Tardif.—Mr. McIlraith.

Bill No. 55, for the relief of Pearl Aizanman Morris.—Mr. Bercovitch.

Bill No. 56, for the relief of Molly Goldfarb Goldberg.—Mr. Tomlinson.

UNEMPLOYMENT INSURANCE

TABLING OF CORRESPONDENCE WITH RESPECT TO PROPOSED AMENDMENT OF BRITISH NORTH AMERICA ACT

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, I desire to lay on the table of the house copies in English and French of correspondence with the premiers of the provinces of Quebec, New Brunswick and Alberta on the subject of the proposed amendment to the British North America Act which will give the federal parliament the necessary authority to enact legislation to establish unemployment insurance. Previous correspondence on this subject has been tabled. It may be of some convenience to hon. members to have all the correspondence appear together in the votes and proceedings. If this course is acceptable to hon. members I shall be pleased to ask the clerk to arrange accordingly. These are interesting and historic documents. I feel it would be well to have them in printed form in some of the records of parliament.

AMENDMENT OF BRITISH NORTH AMERICA ACT TO PROVIDE FOR UNIFORM COMPULSORY SYSTEM

Right Hon. ERNEST LAPOINTE (Minister of Justice) moved:

Whereas the Employment and Social Insurance Act, 1935, a statute of the parliament of

Canada which, in substance, provided for a system of compulsory unemployment insurance throughout Canada, has been held by the Judicial Committee of the Privy Council to be ultra vires of the parliament of Canada;

And whereas, if a uniform and effective system of compulsory unemployment insurance is to be adopted throughout Canada, it will be necessary to amend the British North America Act, 1867, to enable the parliament of Canada to enact the necessary legislation;

A humble Address be presented to His Majesty the King, in the following words:

To the King's Most Excellent Majesty:

Most Gracious Sovereign:

We, Your Majesty's most dutiful and loyal subjects, the Commons of Canada, in parliament assembled, humbly approach your majesty praying that you may graciously be pleased to cause a measure to be laid before the parliament of the United Kingdom to amend the British North America Act, 1867, and that such measure be expressed as follows:

An act to amend the British North America Act, 1867, relating to unemployment insurance.

Whereas the Senate and Commons of Canada in parliament assembled have submitted an address to His Majesty praying that his majesty may graciously be pleased to cause a measure to be laid before the parliament of the United Kingdom for the enactment of the provisions hereinafter set forth:

Be it therefore enacted by the King's Most Excellent Majesty by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present parliament assembled, and by the authority of the same, as follows:

1. Section ninety-one of the British North America Act, 1867, is amended by adding thereto as class 2A the following:

"2A. Unemployment insurance."

and inserting such class in the enumeration of the classes of Subjects set forth in section ninety-one aforesaid, immediately after class two.

2. This act may be cited as the British North America Act, 1940, and the British North America Acts, 1867 to 1930, the British North America Act, 1907, and this act may be cited together as the British North America Acts, 1867 to 1940.

He said: Mr. Speaker, I need not refer to the desirability or even necessity of any scheme of unemployment insurance being national in its scope, because this parliament in 1935 recognized that fact by enacting legislation providing for a system of compulsory unemployment insurance. Since then many provinces and public bodies have signified their views in this matter, and more particularly before the royal commission on dominion-provincial relations, where in their briefs the provinces of Manitoba, Nova Scotia, Prince Edward Island, Saskatchewan and British Columbia specially mentioned the subject. Various other public bodies such as the Edmonton Chamber of Commerce, the Canadian Manufacturers Association, the Trades and Labour Congress of Canada and similar associations have signified not only that they favoured such an insurance scheme but that in order to be effective it should be national in scope.

The privy council has ruled that this parliament at present does not possess the necessary jurisdiction to enact a national unemployment insurance scheme. I shall read only the concluding words of the decision of the privy council on their reference to it of the unemployment insurance act which passed this parliament in 1935:

If on the true view of the legislation it is found that in reality in pith and substance the legislation invades civil rights within the province or in respect of other classes of subjects otherwise encroaches upon the provincial field, the legislation will be invalid. To hold otherwise would afford the dominion an easy passage into the provincial domain. In the present case their lordships agree with the majority of the supreme court in holding that in pith and substance this act is an insurance act affecting the civil rights of employers and employed in each province, and as such is invalid.

I have referred to the royal commission on dominion-provincial relations. In its report the commission says, at page 39:

It is not surprising, therefore, that it has been generally recognized that if unemployment insurance is to be successful in Canada it must be on a national basis. The national employment commission emphasized that "there are great, indeed decisive, advantages in a national, in contrast to a provincial, system" of unemployment insurance. The Commission des Assurances Sociales de Québec, as early as 1933, pointed out that, although it is possible for member states in a federation to have schemes of their own, "nevertheless elementary prudence urges us to give a federal character to insurance against unemployment." In a memorandum submitted to the executive council of the province of Quebec in February, 1939, by the Confederation des Travailleurs Catholiques du Canada, Inc., the following paragraph appears: "La C.T.C.C. tient à redire au gouvernement fédéral qu'elle est en faveur d'un système d'assurance-chômage à base contributoire...notamment, en faveur d'une assurance-chômage contributoire, établie sur le plan national, suivant les recommandations de la Commission des Assurances sociales."

After careful examination we are convinced that a system of unemployment insurance can be established which will in no way interfere with the provisions of the Quebec civil code concerning labour contracts and contracts of hiring. In our public hearings representations from most provinces and from many public bodies supported the view that unemployment insurance should be within the jurisdiction of the dominion parliament. We have no hesitation in so recommending.

Ever since the decision of the privy council it has been the intention that parliament should acquire the necessary power to enact a bill of the kind which will be introduced when the address is voted in this parliament and the necessary amendment made at Westminster to the British North America Act. Always we have tried to get the approval of the several provinces to an amendment of this kind, but it is only recently that unanimity has been signified in the matter. The objection which was raised by certain provinces, and more particularly in my own province by the then premier, was that it would be possible to establish unemployment insurance by concurrent or enabling legislation of the provinces as well as of the dominion. Needless to say we should have been very glad to accept that view had we thought that such a course was feasible, but the views of the officers of the crown have always been that this could not be done. When it is said, for instance, that old age pensions have been established by way of concurrent legislation, I would point out that there is all the difference in the world because we merely contribute to the amount which is spent by the various provinces for old age pensions; we contribute as much as seventy-five per cent, but there is no provision for contributions by employers and employees, and there is not the same necessity for our invading the provincial jurisdiction as there would be in establishing a scheme of unemployment insurance. The two cases are altogether different. Indeed if, as has often been suggested and even recommended by labour unions, the old age pensions scheme should be made a contributory one, the British North America Act would have to be amended to provide for a national contributory scheme.

As to the methods of cooperation in the legislative field which we have considered one after the other, the first that suggests itself is for the provinces to delegate to parliament their powers in relation to unemployment insurance. But there are several objections to that. It is extremely doubtful that such delegation would be legally effective, because by such action parliament cannot acquire jurisdiction. Lord Watson is reported to have observed during the argument of Canadian Pacific Railway Company v. Notre-Dame de Bon Secours, (1899) A.C. 367:

> I think we must get rid of the idea that either one or other (parliament or the provincial legislature) can enlarge the jurisdiction of the other or surrender jurisdiction.

In the case of the Live Stock and Live Stock Products Acts, this method of delegation was resorted to and the courts have held the cooperative scheme to be unconstitutional.

The provincial legislature may delegate its legislative powers, as has recently been held by the privy council in the case of Shannon v. Lower Mainland Dairy, and, conceivably, some central body, say the dominion commission, could be vested with legislative power by each of the nine provinces. But I think, first, that most of the provinces would strongly object to delegating such a power to a body not responsible to them.

Secondly, there is the objection that at any time any province may withdraw the power that she has delegated. A third objection is that the sum total of provincial powers is probably insufficient, constitutionally, to establish a national system. For instance, can Quebec raise money by a levy which may be used to pay benefits outside of Quebec? If Quebec cannot do so then its delegate on the federal commission, as I have mentioned, could not, merely by reason of the fact that it is the delegate also of eight other provinces.

Other recognized methods of cooperation are known as legislation by reference, conjoint legislation and conditional legislation.

The first two are almost identical. The first is a method whereby parliament enacts a statute which is then adopted by the provinces by reference. By the second mode of procedure both parliament and the legislature would enact the same act in the same terms. These two methods have been resorted to when doubt exists as to which legislature, the central or the local, has authority. The danger of this reasoning lies in the possibility that both statutes may be invalid because each exceeds the power of the enacting legislature. The example I have given of Quebec having no right to levy taxes within the province to be used to pay expenditure in the rest of Canada applies here. Such a taxing provision would be unconstitutional, just as a dominion act to impose taxation on Quebec citizens to be spent in Quebec would be invalid. Another objection is that in the enforcement of the law a difficulty would arise as to which one of the two statutes should be used and we might select the one which the court would declare unconstitutional. Then again, in the case of legislation by reference the provincial act would be bad if the dominion act was bad, since the latter was a nullity and the provincial act based on it would also be a nullity.

Conditional legislation is another mode of procedure, whereby legislation of a legislature operates upon the fulfilment of a condition. For instance, if all the nine provinces were enacting a similar insurance scheme in identical terms which would become operative as the

result of some dominion action, namely by parliament or by the governor in council, the "condition" would be the dominion action. The insurance conditions and the levy would be provided for by the provincial legislatures, while the dominion, in addition to bringing the nine provincial statutes into force on a given date, would establish a central commission and would provide funds for administrative expenses. All the objections which I have submitted to the other modes of operation apply also to this one; and I am afraid, and it is also the view of the officers of the crown, that there would be danger in respect of constitutionality which would not justify the parliament of Canada in entering, before being sure of its validity, upon a big undertaking which would cost millions of money.

I have spoken only of the legal side. There are also practical objections which I desire to mention.

1. You would have to get the concurrence of nine legislatures each of which will, quite properly, have its own ideas, influenced by local requirements, as to the proper provisions of an unemployment insurance act.

2. You must hold this concurrence through the difficult first years of the application of the act, when, by practice and experience, amendments will be found desirable; and then you would have to have in each case the consent of every one of the nine legislatures before proposing these amendments.

3. You must persuade nine provinces to submit to administration by a body which is not responsible to them.

4. The necessary levy to provide insurance benefits must be imposed on the clear understanding that the funds raised thereby and turned over to the commission are to be utilized to pay benefits throughout Canada. The result might be, for example, that Quebec contributions would, in certain circumstances, be utilized to pay benefits outside Quebec.

The final and the most important objection of all is that there is nothing to prevent one or two or three provinces from withdrawing from the scheme and then the whole undertaking would be compromised.

I believe I have sufficiently shown that we cannot proceed to introduce a bill to establish unemployment insurance in Canada without resorting to the application for an amendment, which is a very simple one, to the British North America Act, and to which now fortunately all the provinces agree, so that this parliament shall be invested with full power; then the bill will be introduced.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, the subject matter of unemployment insurance is one which has engaged, more or less spasmodically, the attention of this house since I first entered it. The Prime Minister (Mr. Mackenzie King) on more than one occasion since 1921 and 1930 promised this legislation. There was always, of course, the constitutional difficulty. In 1930, when the government of the Right Hon. R. B. Bennett came into power, it was so obsessed with the necessity of keeping this country on an even keel economically that, while we believed in the principle of unemployment insurance, it was not possible to proceed with the legislation at the beginning of that parliament. I have always thought that it was a great pity, from the standpoint of the wage earners of this country, to whom such an act would have been applicable in those bad years of our history, that such a measure was not put on the statute book by the Prime Minister when he first made his pronouncement in the twenties in regard thereto.

However, whatever may have been the reasons which prevented him from acting upon his undertaking to the country, he did not proceed with any such legislation, and this country and the wage earners of the country were without the benefits of unemployment insurance through the most trying period in our economic history. That is why I said not long ago that we were many years too late with respect to this social legislation.

In 1934-35 the government of the day did introduce legislation looking towards national unemployment insurance, and it was enacted into law, but not without the most vociferous opposition from gentlemen opposite, at that time sitting here, that I have ever experienced, on the plea that we had not the authority to do it. That bill was based on the theory of the treaty-making power under the British North America Act, and it was also based on the further powers that are recited in the preamble to the bill. I recall having had something to do with the preparation of that preamble, and I have always thought that if the legislation had been attacked, not by way of a stated case or reference, as was done by the government of my right hon. friend, but in a concrete case raising specifically the question involved in the reference, the result might have been different. I have no doubt in the world that if you want to get a correct solution of the problem of constitutionality the least likely method of obtaining a proper decision is that followed by hon. gentlemen opposite. However, the government of the day was defeated and went out of office, and in accordance with pledges made to the people

the Minister of Justice (Mr. Lapointe) referred the matter to the courts. I refer to it to-day only in order to keep the record straight.

This party is pledged to the principle of unemployment insurance. We endeavoured to implement that pledge to the best of our ability, having regard to all the circumstances of the time; and the act might have been allowed to go into force and effect, as it could have been at least until it was attacked and set aside, because nearly all the machinery had been set up and one of the most capable men in Canada had been installed as the head of the scheme. May I suggest to the Prime Minister that he probably could not do better to-day, when he comes to establish his scheme, if, as and when he does establish it, than by making use of the services of the gentleman to whom I have referred. That however is merely in passing.

The act was attacked by way of reference to the Supreme Court of Canada and subsequently went to the privy council, and, as the Minister of Justice has correctly stated, the decision of that august body was that the pith and substance of the legislation was an invasion of property and civil rights. With that decision we must be content. Perhaps the Minister of Justice at a later stage will inform us whether any representations were made in opposition to the proposal and to the principle involved. Personally I have heard of none, although I do know that recently proposals have been suggested from other quarters looking to another form of insurance. So far as I am aware they are still in the nebulous stage; nothing concrete has reached me at any rate. The legislation passed by the government of Right Hon. R. B. Bennett was declared ultra vires in 1936. The decision was rendered by the Supreme Court of Canada on January 28, 1937, and the decision of the privy council, delivered by Lord Atkin, was to the effect that in reality, in pith and substance, the legislation was an invasion of civil rights. The effect of that has been that we have lost five years at least in which we might have built up the reserve fund which is so essential to the successful operation of this social scheme. However, the Prime Minister and his government must take the responsibility for that.

The scheme is now being put forward one further step. I agree with the method adopted by the government having regard to the legal decisions. I know that the question of concurrent jurisdiction, and the other methods to which the Minister of Justice has referred, have been explored on various occasions, and there is objection, from the point of view of the legal decisions to which he has alluded and to which it is not necessary that I should refer further. The method adopted is that of amendment to our constitution, and I know of no surer means of giving powers to this federal parliament than by that method. I am not in favour of the attempt to delegate powers or to hoist ourselves by our bootstraps by assuming powers delegated from another jurisdiction—I will not say an inferior jurisdiction, because that might give offence in certain quarters. I have been attacked already on more than one occasion for having asserted the principle that we should have a strong central government. This motion, this address, is just another argument sustaining my position, that we ought to have a strong central government, because I cannot conceive of nine different systems of unemployment insurance in Canada. There must be a national system if we are to go that far, and I am further of the opinion that the passing of concurrent legislation would not be satisfactory. The passing of delegated authority would not be satisfactory, nor would the other methods to which the Minister of Justice has referred.

I am just wondering whether the Prime Minister will be able to give us any assurance that this address will be adopted and the legislation enacted at Westminster in time to make possible the enactment of a measure during the present session. I know this is a war session. I have the feeling that it is the intention of the government to get rid of parliament just as quickly as possible. I may be wrong in that; I may be doing hon. gentlemen opposite an injustice by even suggesting it. But it is understandable. Can the Prime Minister give us any assurance that the British parliament will give precedence to this measure? I am expressing no opinion; I have no opinion on that point.

This party is committed to the principle of unemployment insurance. Indeed if it had not been for hon. gentlemen opposite this country would have had it years ago; let there be no mistake about that.

I believe the Minister of Justice has adopted the proper method of attaining the end which the government now have in view. As far as we are concerned I promise the cooperation of this party in passing this address, and when the legislation itself comes down I promise him that we will examine the bill with the greatest care, will endeavour to strengthen it so far as may be necessary or desirable, and will in no way obstruct the principle of what is in my opinion very necessary social legislation for Canada.

Mr. M. J. COLDWELL (Rosetown-Biggar): This resolution I think does not require very long discussion. Following the suggestion of the leader of the opposition (Mr. Hanson), we hope that the government, when the resolu-

tion is carried and other necessary steps have been taken, will proceed to communicate with the British government with a view to obtaining the authority to enact this legislation immediately. The proper time to put a measure of this kind into effect is when industry is on the upturn and employment is increasing. It is not unlikely that when the war ends unemployment insurance will be as great a necessity as something of the kind was following the last great war.

This proposal to obtain power for the enactment of an unemployment insurance plan is one with which we are entirely in accord. Our predecessors in the house, labour and progressive members, ever since 1921 have been urging such an enactment, and although other groups in the country sometimes referred to schemes of this description as pernicious doles and so on, we believe that unemployment insurance should have been put into effect in the years immediately following the enactment of similar legislation in Great Britain. As has already been pointed out, it was promised by the leader of the Liberal party in 1919, twenty-one years ago, so that the proposal reaches its majority just now. I suppose that because of such majority hon. gentlemen have the feeling that they ought to enact it. I hope that some other promised legislation will not be delayed such a long time.

The time has arrived when, in agreement with the provinces, this dominion should have the right to amend its own constitution. I do not like this method of appealing to some other body across the sea. If we have reached the status of a self-governing dominion we ought to be in a position to exercise the power that should lie within this country itself. It ought not to be necessary to pass resolutions of this kind in order to amend our constitution.

One other criticism that I would make is that in our opinion the powers sought are not sufficiently wide. We do not propose to attempt to-day to amend the resolution in any way, but I regret that when the government are seeking power to enact social legislation of this kind they do not seek the wider power to enact social legislation generally, not restricting it merely to unemployment insurance. I know, of course, that the Sirois report has something to say in that connection. I should like to turn to it for a moment. At page 24 this is said:

> The experience of the past decade is conclusive evidence that unemployment relief should be a dominion function. By unemployment relief we mean relief or aid for unemployed employables as distinct from unemployables. Provincial responsibility for other welfare services should continue and the provinces should be enabled financially to perform these services adequately. Provincial responsibility for social welfare should be deemed basic and general. Dominion responsibility on the other hand should be deemed an exception to the general rule and as such should be strictly defined. But the dominion should be given adequate jurisdiction to perform efficiently whatever responsibilities are entrusted to it.

The power we are requesting, of course, will make it possible for the dominion to be given adequate jurisdiction to perform efficiently this particular service. The report goes on to say:

> The assumption of responsibility by the dominion for relief or aid of unemployed employables would entail: (1) complete financial responsibility; (2) full control of administration.

To-day it is essential that we shall assume a greater responsibility in these matters than we have in the past. Our cities, our municipalities and our provinces are entirely unable to cope with the tremendous problem of unemployment and relief which has faced us during recent years. An unemployment insurance bill will not take care of all those responsibilities, because always there will be a large number of unemployed employables who will not come within the scope of the measure. Consequently it seems to us that the dominion ought to assume a greater measure of responsibility in regard to these matters.

The assumption by the dominion of responsibility for other types of social legislation becomes more pressing as the days go by. I have in mind old age pensions as another social responsibility which this parliament now shares with the provinces. The Minister of Justice a few moments ago explained why the old age pension scheme was undertaken in the way it was. But it seems to us that when asking for the power to deal with unemployment insurance we might have gone further and asked for the power to deal with other necessary and similar social legislation. Old age pensions is undoubtedly one of the national social schemes which will have to be developed to a greater extent than we have so far developed it in Canada. In Great Britain under war conditions they have recently increased the benefits under old age pensions, and have a contributory scheme as well. In the Sirois report there is a recommendation to that effect at page 43. Under the heading "Jurisdiction in Social Insurance —Conclusions" I find this:

> We have concluded that two types of social insurance—unemployment insurance and contributory old age pensions—are inherently of a national character. . . .

Then, a little later:

> The simplest method would appear to be to provide for concurrent jurisdiction in social insurance.

That is, social insurance of other types. Old age pensions and unemployment insurance

are of national importance and therefore should be national responsibilities. So that while we commend this resolution and are supporting it because we agree with the object in view, we regret that when seeking this power from the imperial parliament the government did not go one step further and ask at least for power to enact social legislation of the types recommended in the Sirois report.

This legislation is long overdue. Canada remains one of the few modern countries—that is, modern in the sense of being industrialized—without legislation of this kind on its statute books. I was glad when the Bennett administration enacted its social legislation in 1934. I agree with the leader of the opposition that if that legislation had remained on the statute book and gone into effect, in all probability the decision later rendered by the supreme court might have been different. However, that is past history. We want to see this power obtained; we want to see the legislation enacted, because after all there is another aspect of social insurance of this description that we sometimes overlook, the aspect which caused it to be put in effect in many countries after the great war—the fact that it is insurance against social upheaval. It tends to give the working people a certain measure of social security, and to that extent prevents the rise of discontent and the consequent threat to the entire social and economic structure. Following a war, measures of this description have been found necessary, and now that we are entering upon a period which, if we fulfil our obligations to our allies as I anticipate we shall, will be a period of expanding employment, with fewer unemployed employables in our midst, this is the time to enact an unemployment insurance measure, not a year from now. We are glad, therefore, to support the resolution, though we should have liked to see wider powers asked for than are envisaged in the present resolution.

Mr. J. H. BLACKMORE (Lethbridge): Mr. Speaker, there has been no enthusiasm in this group for unemployment insurance of the type now proposed. The chief reason for that is that we have recognized that unemployment insurance of the kind proposed simply is not the solution. It is characteristic of human beings to keep chasing after glittering baubles and then to discover that after all they are only baubles.

Some hon. MEMBERS: Oh, oh!

Mr. BLACKMORE: Of course my remark excites merriment, but the day will come when all members of this house will recognize that what I am saying is correct The solution of our problems lies far deeper than unemployment insurance. For just one reason I really wish the pious desire of the leader of the opposition (Mr. Hanson) could have been fulfilled, and that we could have tried this thing out four or five years ago. That reason is this. If we had tried it out four years ago we now should have realized that it is of very little value and that we must go to work to find a real solution.

The problem which confronts this generation is the problem of distribution. I think practically everyone realizes that we are in an age of abundance. Five years ago, when this group began to make that declaration in this house, smiles of patronizing good nature and indulgence were to be seen on the faces of hon. members, much like those we saw a few moments ago. The number of hon. members who seemed to doubt that we were in an age of abundance was very considerable. But five years of bumping our heads against the hard stones of reality have pretty well convinced everyone of the truth of that statement. Now our problem is to distribute that abundance.

Mr. THORSON: Where is the abundance in Saskatchewan, for example?

Mr. BLACKMORE: To-day the people of Saskatchewan are wondering where they are going to sell their wheat.

Mr. HANSON (York-Sunbury): So is this government.

Mr. BLACKMORE: Let the people of Saskatchewan and the people of Canada as a whole have their productive capacity liberated by a sane financial and credit system and there will be such a superabundance of virtually everything you could name that this country can produce that people will be at their wits' end to know where to market their goods, which indicates beyond any shadow of doubt that we are in an age and a land of abundance.

The national credit of this country can be used to distribute this abundance, but unemployment insurance is not one of the methods for carrying out that distribution. It is therefore only a palliative and will be found to be a disappointment. People will begin to realize the seriousness of that disappointment just when there is the greatest need for something of real value.

If we face things realistically we all recognize that to-day our greatest need is more purchasing power in the hands of the people. We need that extra purchasing power right now, first of all to raise the standard of living of our people from one coast to the other. Everyone recognizes that the standard of living is shamefully low. That is abundant evidence that we need more purchasing power

in the hands of the people. If we could get that purchasing power into their hands so they could buy more, we would immediately encourage the production of butter, cream, milk and every other commodity which we can produce so generously in this country. If we could so increase our production, unquestionably we would increase our national income; for production is the thing that makes real wealth. If we could increase our national income, beyond question we could increase our national revenue; for you get national revenue from national income and you get national income from production and you do not encourage production by taxing it or by limiting the purchasing power in the hands of the people.

This measure proposes nothing more or less than a new tax on top of the painful ones imposed yesterday. I say "painful" without committing myself either to approval or disapproval of the budget. In the last analysis we are not going to tax all the people because all the people are not employed. As the hon. member for Rosetown-Biggar (Mr. Coldwell) said, we can never possibly reach all the people. We will be least likely to reach those who are suffering the most. Consequently this proposal is exactly the opposite to what we ought to have.

We need not unemployment insurance but employment insurance. Employment insurance could be obtained by giving the people work. People would be able to obtain work once there was an abundance of production. Therefore, we should be devising ways and means of increasing production in this country. Then employment would take care of itself and so would unemployment insurance. How to increase production is the problem we should be wrestling with in this house. If we could manage to extend credit in such a way that the producers could produce freely and expand purchasing power so that the people could buy that production freely, then there would be immediate employment. I submit that it is along these lines that the real solution lies.

May I turn for a moment or two to the question of centralized control. Parrot cries have been heard from one end of the country to the other, apparently actuated by some inspirer behind the scenes, all clamouring for centralized control. The idea seems to be that if you take five, six or seven families, any one of which cannot make a living by itself, and put them all tightly together so that some one can control their every movement, you are going to have every family succeed. Such is not the case and such will not prove to be the case in Canada. We do not need a strong centralized government. Do hon. members wonder why we never heard anything about this need for a strong centralized government until the last ten or fifteen years? Why was it that this country got along very well for many decades? There was no disagreement between the central government and the provincial governments until the depression came along.

Mr. MARTIN: There are different kinds of provincial governments now.

Mr. BLACKMORE: Does that indicate that the principle of federation as it has been followed during the past decades is wrong, or does it indicate that we are faced with a new set of conditions? We are not going to be able to solve the problem caused by overproduction or abundant production and small employment by clamping on a strong centralized government which can force the people to stand the misery they are suffering and which will give them no chance to solve their own problems locally. If we govern this country in the right way there will be no need of a strong central government. Every province desires to be a member of a strong British union in Canada, but every province feels that it has a right to a decent standard of living. The thing this house should be considering is how to enable the provinces to have a decent standard of living. We would then have no need for strong central governments.

My group is going to support this unemployment insurance scheme. We have but little faith in it, but we want to see the people who believe in it convinced. A tremendous number of people can convince themselves only by bumping their heads against stone walls. Probably the best thing that could happen is to let the people bump their heads. They will soon find that unemployment insurance is only a bauble, is only a glittering make-believe that will lead but to disappointment and perhaps to despair.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, the hon. leader of the opposition (Mr. Hanson) and other hon. members who have spoken for particular groups have each referred to their own attitude and that of their respective followings towards an unemployment insurance act. The hon. leader of the opposition outlined the steps taken by the Conservative party during a previous administration to have an unemployment insurance act placed upon the statutes and put into force. The acting leader of the Cooperative Commonwealth Federation (Mr. Coldwell) has referred to the frequent intimations which his group had given

of their desire to see an unemployment insurance act placed upon the statutes. The hon. member for Lethbridge (Mr. Blackmore) described the attitude of his group with respect to this particular measure. His description, if I recollect aright, was of its being a sort of stone-wall attitude. He is quite agreeable to support the measure, and I want to thank him for his support, but in doing so may I say that I hope the result will not prove as disastrous as he seems to think it will.

I might perhaps be permitted to say a word or two concerning the attitude of the Liberal party towards unemployment insurance. In so doing I should like to go as far back as the time when I had the honour of being chosen the leader of my party. I refer to the national Liberal convention which was held in 1919. At that convention a resolution was passed endorsing social legislation as part of the Liberal policy.

Mr. HANSON (York-Sunbury): That was only a chart.

Mr. MACKENZIE KING: It was part of a chart, a chart which has been carried out increasingly ever since. At the time it was recognized that there were two matters which would have to be considered carefully in connection with any social legislation. One was the financial position of the dominion and the provinces and the other the all-important question of jurisdiction as between the provinces and the dominion. The resolution passed in 1919 was expressed in the following words:

> In so far as it may be practicable, having regard to Canada's financial position, an adequate system of insurance against unemployment, sickness, dependence, old age and other disability should be instituted by the federal government in conjunction with the governments of the several provinces.

When the Liberal administration came into office in 1921 we indicated our hope that while we were in office we might soon be in a position to enact some measure of social insurance. It took time to gain that end. It was a new field for a federal administration to enter. Old age pensions appeared to be the obvious place to begin. It was possible to obtain the cooperation of the provinces for such a measure more readily than for one respecting unemployment, invalidity or health insurance. An old age pensions measure was enacted by the Liberal administration in office in 1927. In 1928 the same administration, continuing in office, invited this house to consider in one of its committees the advisability of following that enactment by one respecting unemployment insurance. The matter was referred to the standing committee on industrial and international relations. That committee made a report at the end of the session of 1928 to the effect that unemployment insurance was desirable, but the committee recognized the fact that one province could not act alone and recommended further study of the matter. The same committee met in the following year, 1929, and reported, approving the principle but noting the opinion of the Department of Justice that the jurisdiction was provincial, and a report from the Minister of Labour that the provinces had been consulted and most of them were not disposed to act. I have before me the answers given by the different provinces at that time, and they indicate quite clearly that the provinces themselves were not favourable to the enactment of an unemployment insurance measure by the federal government.

In 1933 when in opposition I made a statement to the house of Liberal principles on a number of different matters—that was not the chart; it was the occasion of the fourteen points—and one of the points was that, "As a permanent measure the Liberal party is pledged to introduce policies which will serve to provide employment by revising industry and trade, and to introduce a national system of unemployment insurance.

Then, as my hon. friend the leader of the opposition has said, Mr. Bennett, who was then Prime Minister, introduced in 1935 his bill respecting unemployment insurance." Knowing the position taken by most if not all of the provinces to the effect that an unemployment insurance measure would invade their jurisdiction if enacted as a federal act, we of the opposition of the day felt it necessary to point out to the government that they were seeking to enact, we assumed knowingly, a measure which was not within the competence of this parliament and the validity of which would be questioned immediately if an effort were made to put it into force.

Mr. HANSON (York-Sunbury): If the Prime Minister will allow me, I omitted to say in my remarks—and he will recall that this is correct—that before Mr. Bennett introduced that legislation we had what we considered the best legal opinion in Canada, and not from one source only but from more than one.

Mr. MACKENZIE KING: I recall that certain legal opinion was cited but it was very strongly combated by legal opinion that we on our side regarded as even better, and as events turned out it so proved. At all events what we did suggest was not that the act should not be passed but rather that before any attempts were made to put its provisions into effect, advantage should be

taken of the Supreme Court Act to have the measure referred to the supreme court for an opinion which would decide beyond any question of doubt whether the proposed unemployment insurance measure, if given the force of law, would be valid and its provisions thereafter unquestioned as coming within the competence of this parliament. Hon. members no doubt are aware that there is a section in the Supreme Court Act which was enacted for the very purpose of meeting situations of the kind. The section gives the supreme court authority to determine and pronounce finally in advance so as to avoid unnecessary expense and also the inconvenience and annoyance that are occasioned by a measure being subsequently disallowed. Section 55 of the Supreme Court Act gives the court special jurisdiction with respect to references by governor in council. It reads:

> Important questions of law or fact touching
> (a) the interpretation of the British North America Acts, or
> (b) the constitutionality or interpretation of any dominion or provincial legislation, or
> * * *
> (d) the powers of the parliament of Canada, or of the legislatures of the provinces, or of the respective governments thereof, whether or not the particular power in question has been or is proposed to be exercised,
>
> may be referred by the governor in council to the supreme court for hearing and consideration; and any question touching any of the matters aforesaid, so referred by the governor in council, shall be conclusively deemed to be an important question.
>
> * * *
>
> The opinion of the court upon any such reference, although advisory only, shall, for all purposes of appeal to his majesty in council, be treated as a final judgment of the said court between parties.

In other words, we of the opposition of the day felt that to put the act into force would necessarily involve a very large expenditure, also the making of a considerable number of important appointments. We expressed the view that before the people's money was used for the purpose of an enactment about which there was doubt as to the competence of parliament, it was advisable that that doubt should be removed altogether.

The leader of the Conservative party of the day would, however, not pay any heed to the representations which were made. The act was passed and found its place on the statutes and several appointments, if I recall aright, were made under it. The Conservative party was not returned to power at the election which immediately ensued. The present administration came into office and we immediately referred the question of the validity of the act to the supreme court for decision. The supreme court gave its decision, which was in accordance with the view which we held at the time we opposed the measure. An appeal was then taken to the judicial committee of the privy council in England and the privy council upheld the decision of the supreme court. My hon. friend will I think agree that in seeking a final decision by the judicial committee of the privy council in the old country, we were seeking and securing the opinion of as high an authority as was possible. It was in that way that the unemployment insurance enactment of the late conservative administration fell to the ground.

We then immediately sought to bring in a measure of unemployment insurance which would be beyond question as to its validity. The difficult but most necessary part of the whole business was to get the consent of the several provinces. That has not been an easy matter. My hon. friend has referred to our having lost a good deal of time in getting an unemployment insurance act upon the statutes. I agree with him that it is unfortunate that a lot of time has been lost, but it has been lost, not at the instance of the federal government, but at the instance of the provinces which would not agree to an enactment by the federal government. While, however, we have lost time in that way, we have made an exceedingly important gain in another direction, which, in the end, may mean much saving of time, namely, to-day we are able to introduce an act which carries with it the consent of every single province of this dominion. That is a very great achievement. Up until this year we were unable to secure from all of the provinces an approval which would enable us to say: We have the provinces in complete agreement with us as to amending the British North America Act in a manner which will enable this federal government to pass an unemployment insurance measure without possible question as to its validity being raised either now or later on. I feel that that achievement of itself will in the long run be most valuable. We have avoided anything in the nature of coercion of any of the provinces. Moreover we have avoided the raising of a very critical constitutional question, namely, whether or not in amending the British North America Act it is absolutely necessary to secure the consent of all the provinces, or whether the consent of a certain number of provinces would of itself be sufficient. That question may come up but not in reference to unemployment insurance at some time later on. For the present at any rate we have escaped

any pitfall in that direction and we are now able to bring in a measure which has the complete support of all the provinces.

I have tabled this afternoon the correspondence which has taken place between the dominion and the provinces. It is I think of a historical character. It is as important I believe as any material that appears in the volumes of the royal commission on dominion-provincial relations. For that reason I suggested a little earlier to-day that it might be printed in the votes and proceedings of to-day so as to be found permanently in the records of this parliament.

I do not think I need say more. As a matter of fact, not having received the consent of all nine provinces until this year, we could not possibly before this particular session have introduced in a manner which would avoid all questions a measure for the amendment of the British North America Act. There were, if I recollect aright, three provinces, namely New Brunswick, Quebec and Alberta, which prior to the beginning of this year had not given their full approval. But each of these provinces, recognizing the national importance of this measure, and, I believe being moved to see it in a clearer light as a consequence of the problems which are inevitable at this time of war and which will arise when the war is over, have agreed to join with the federal government in giving unanimous approval to the enactment of the measure.

That enables me, I hope, to answer in part the question which my hon. friend the leader of the opposition asked, and which was, whether the government can give any undertaking that the measure will be put through at the present session of parliament. I believe that, inasmuch as this resolution will pass the House of Commons with the approval of hon. members on all sides, and that it is pretty certain to meet with like approval in the other house, the government at Westminster will lose no time in passing the amendment which we are requesting by resolution. How long that will take in the present circumstances no one, of course, can say. But I should be rather astonished if it is not possible, notwithstanding present conditions, for the government at Westminster to amend the British North America Act, in accordance with our wishes, within a day or two. I should think that it would not be necessary to wait to send Britain the submissions by mail, but that, the circumstances being what they are, a cable from the ministry informing the British government that both our houses of parliament had unanimously agreed to the address and requesting that action be taken as speedily as possible, would be met with very prompt action on the part of the British government.

As soon as the British North America Act is amended in the particular required a bill will be introduced, and it is certainly our intention and desire to have the bill go through at the present session. There will have to be something wholly unforeseen at this moment to prevent that course being carried out by the government. It is certainly our present expectation as well as our present desire.

I may have omitted reference to some other matters which have been mentioned, but I believe the only one is that alluded to by my hon. friend the acting leader of the Cooperative Commonwealth Federation group, who regretted that it was not possible for us to make the request to the British government somewhat larger, more all-embracing, than the one which is being made and which is confined to unemployment insurance. May I say that, if we had ventured to go beyond unemployment insurance, we would probably have met with further objections on the part of some, if not of all, of the provinces. As the correspondence will show, one of the circumstances which enabled us to get the approval of all of the provinces was the fact that we were asking for only one amendment, specifically related to unemployment insurance. I imagine the provinces have felt that they would like to wait and see just how that amendment works out before they give their consent to amendments of wider scope.

Mr. J. R. MacNICOL (Davenport): As one who in quite a number of sessions has advocated unemployment insurance, I am going to support the resolution, and I hope that I shall be able also to support the main provisions of the bill. I appreciate the difficulty which the government has had. Having taken the stand that it was a constitutional question, they have proceeded from that point of view, after having appealed to the privy council for its decision, and are preparing to bring in a bill with the consent of all the provinces.

There are, I believe, only two other federated nations having unemployment insurance laws which have had the same problem to grapple with. In Switzerland, with its twenty-five cantons, they could not come to the same satisfactory conclusion as has now been reached in Canada, where all the provinces are in unison with regard to carrying out the plan. The result in Switzerland was that in nine of the cantons there are compulsory unemployment insurance laws; in fourteen the law is

non-compulsory, and two cantons have no unemployment insurance whatever. In my judgment that is not satisfactory.

While I should like to have seen in operation during the past five years the bill which was passed by the Conservative government in 1935, I am willing to concede that if the present government felt it necessary for the sake of harmony to take the course they have done, possibly a great deal has not been lost through waiting until to-day. In the United States, of course, there was the same trouble: they have forty-eight states. I have often wondered why even the present government, at the first session, in 1936, could not have followed the United States plan. I am not saying that theirs is as good a system as the one in operation in Great Britain, but it might have been amended and reconsidered to suit our situation here. In the United States each state had the same power as each province of Canada claims to have. That is, any unemployment law could have been enacted by each individual state. That difficulty was overcome through the enactment by the federal government of an unemployment insurance act which they believed would be satisfactory to each state, and then, to induce the states to put unemployment insurance into operation, they undertook to return to each state as a federal state tax the taxes collected with relation to unemployment insurance.

I should like to have asked the Minister of Justice (Mr. Lapointe) after he spoke whether this government has looked into the United States federal system.

Mr. LAPOINTE (Quebec East): Yes.

Mr. MacNICOL: The minister nods his head. Then apparently the government discarded the United States system. There is no reason why if it was workable it could not have been in operation here during the last five years.

I intend to speak for only a moment or two, but I should like to comment on the opinion expressed by the leader of the Social Credit group (Mr. Blackmore), that unemployment insurance cannot be a success. It has been my pleasure to visit over quite a number of years many countries—Germany, Holland, France, Great Britain, and various states of the American union—which have unemployment insurance in operation, and my observation is that the legislation has been an unqualified success. In Great Britain it has been marvellously successful. I do not know what they could have done without their unemployment insurance act. With the aid of the funds which they are accumulating under their unemployment insurance law they are looking forward confidently to being able for a long period to take care of the men who will probably be thrown out of work at the conclusion of the war. Through the increase in employment in the manufacture of armaments and munitions, unemployment insurance contributions have increased to an enormous sum of money, which explains in some degree why the benefits under their present law were recently increased. To-day the British unemployment insurance act surpasses anything elsewhere and has met the fondest wishes of their working men.

I became quite a number of years ago an advocate of unemployment insurance because of my association with large numbers of working men. From time to time I saw men thrown out of work, sometimes under circumstances of peculiar hardship. I have in mind one man who was thrown out of work after thirty years, without obtaining any compensation. That was manifestly unfair. The company for whom he worked did not feel disposed to give him a pension, and as he had had nothing to do with contributing to any unemployment insurance fund he received nothing from any such source. Others who had served twenty-nine, twenty-eight, twenty-seven, twenty-six, twenty-five years, and so on, were thrown out of employment. In one case a man worked forty-five years but because of intermittent employment he was unable to put aside anything and when he was thrown out of work he had nothing to fall back on.

I am firmly convinced that unemployment insurance is one of the finest pieces of social legislation any government can enact, and I shall be glad to support it now, even though it comes five years later than in my opinion we should have had it.

Mr. G. E. WOOD (Brant): I am to some extent in accord with the hon. member for Rosetown-Biggar (Mr. Coldwell) in his appeal to the Minister of Justice (Mr. Lapointe) to apply for wider powers than he is asking for in connection with unemployment insurance, but after listening to the reasons given by the Prime Minister I have come to the conclusion that it would be better to adopt a programme of going slowly and making steady progress in that way than to ask for too much and risk getting nothing at all. Up to that point I am prepared to give my support to the measure and I will accept the point of view put forward.

Unemployment insurance has received a great deal of thought especially from the standpoint of our industrial centres. Speaking

for the people I represent, and I believe for the farmers of the dominion at large, I suggest that this is another of the measures that will add to the burden upon agriculture. We do not want to play the dog in the manger, and to say that because we are not sharing in the benefits of certain legislation we wish to deprive other citizens of those benefits. The unfortunate thing is that only a small proportion of the population of Canada will be in a position to enjoy all the privileges of this legislation.

The reason I am in harmony with the point of view of the hon. member for Rosetown-Biggar is that I should like to see the scope of this type of legislation broadened so as to take in the farmers. I have followed with a reasonable degree of interest the social legislation of many countries, particularly where such legislation has made considerable strides, as in the United States, but unfortunately none of it makes any provision for the farmers. It seems that the farmer has to supply the food of the nation at less than cost, and in the last ten years of economic warfare he has been the real veteran. He has supplied the food of the employer in the city at less than cost and he finds himself to-day receiving a smaller portion every year of the national wealth of the country. In 1914 he received about 16 per cent of the national income. To-day he receives less than 9 per cent. It seems to me that we are putting upon society, upon the taxpayer, another burden which will increase the cost of goods to the farmer, the cost of the things he has to buy, without giving him any compensation. True, the leader of the Social Credit party emphasized that we should have a decent standard of living. Well, it has been very difficult for me to interpret the term "decent standard of living," because there are eleven million people in Canada and I have come to the conclusion that there are eleven million standards of living. One man's standard of living may be quite different from that of another.

The hon. member for Vancouver East (Mr. MacInnis) was concerned last week about the effect of the high cost of living on the labouring population in view of the war situation. I would say to the hon. member that it is not always the high cost of living that affects us; it is the cost of high living. I am inclined to think that is largely true of the city man in relation to the man on the farm. I should like to see in our social legislation some provision for a contributory national pension scheme which would take the farmer into consideration. To-day he is not only supplying the food of the nation at less than cost, but he is making a great contribution to the education and to the social and industrial life of the country. He has mortgaged his farm to educate his sons, who have taken the industrial field and gone in for professional and academic life, using in many ways the abilities thus acquired to advance the very type of legislation that will make it more difficult for the old man to live on the farm. I should like to see the scheme of social legislation broadened so that the old man on the farm, after contributing all these years to the welfare of society, might benefit from a contributory national insurance scheme, something in which he could participate. After living all his time on the farm he would be unhappy if he moved into the city, but he could still live on the land and obtain a fair share of his living there, with a small monetary contribution in monthly payments such as many men to-day do not enjoy, although they have made their contribution to society.

When the bill comes down I intend to take the opportunity to discuss this matter further. I felt that it was my duty at this particular time to say something on behalf of a large section of the people of Canada who unfortunately, owing to the economic conditions that prevail, are struggling hard and making a considerable contribution to the national wealth of Canada without receiving anything in return. If Canada is to be a great nation we cannot afford to continue preferences to certain classes. The farmer is demanding that he come abreast in all the privileges and enjoyments of society. We should not ask from the taxpayers money to meet personal obligations. The unfortunate thing is that the man who is trying to raise his own family, live his own life, pay his honest debts, is taxed to pay old age pensions for the man who in many respects has wasted his time.

I believe that through a system of contributory insurance a man would be entitled to some of the wealth which he has created. Many are too proud to ask these privileges. I have come to the point where I am doubtful whether there is any type of non-contributory social legislation. We all contribute in some form; the unfortunate thing is the unequal distribution of the contribution we as taxpayers have been making. We are all contributors to social insurance, but unfortunately we are not all sharing in the enjoyment of it. I belong to a class representing the old pioneers of this country who, especially the farmers, were very reluctant to ask for these privileges, although they bowed their heads in assent to this advanced social legislation the privileges of which go largely to our industrial centres. Every man, I care not who he is, should make

some contribution in the days when he has power to do so towards his own social security. There is a saying that all work and no play makes Jack a dull boy; but while that is true it is also true that he generally has a bank account. We should all set aside a certain part of our income. The man who does not voluntarily realize the importance of thrift should be forced to assume his responsibility to himself for the days when he cannot earn his own living.

Mr. T. L. CHURCH (Broadview): I have consistently and annually supported the principle of unemployment insurance since I was a member of the committee of this house which in 1922 recommended old age pensions and unemployment insurance. I want to see a real system, and in view of the heavy burden which the government placed on industry yesterday it is their duty and function now to tell the employers what this scheme is. Is it compulsory; is it something the administration of which is later going to be shifted off in part on the municipalities or on the provinces? The employer yesterday was given six days to adjust income taxes with his employees. Is this bill going to be a meaningless thing or not? The government say, "as soon as possible." That is what the Liberal platform said in 1919 regarding unemployment insurance but twenty-one years afterwards it is still not in effect. It could have been put into effect by this government under the power in section 91 of the British North America Act under "public debt and property".

Following the practice of the last amendment by the parliament of the United Kingdom to the British North America Act the consent of the provinces must be given in the same form as this proposed address to-day, namely an address from each province. Another question is, how is this going to affect the present relief votes? Will it enable the government to shelter itself behind the statement that we have an act of the United Kingdom for unemployment insurance and cut these relief votes? Technical education was recognized as a federal responsibility by the commission appointed in the days of Sir Wilfrid Laurier, yet was shunted off on the provinces and municipalities, and so was old age pensions.

The Prime Minister (Mr. Mackenzie King) must not be too sure about getting this amendment through the British parliament in a day or two. I can tell him there are other applications to amend a constitution, one of them dealing with a very grave situation in India; and the British government had to tell them that it will have to be postponed until after the war. They want home rule all along the line, something that may affect the war effort. South Africa and the southern part of Ireland have been considering like applications. Anyone who has the interests of the empire at heart realizes that these are very grave times for the mother country; and while I have supported this principle and support this application now, this is a very grave time to ask for this legislation if we are not going to put it into effect right away. "As soon as possible" does not mean anything. Will it be put into effect this year?

Until the enactment of the statute of Westminster there was no doubt that we had to go to the British parliament for these amendments. But this Dominion of Canada has a written constitution, that of 1867, and rules of strict law off it under the British North America Act. The southern part of Ireland was given a somewhat similar constitution, by the Irish treaty of 1921. The moment the statute of Westminster had been passed, although Mr. Lloyd George, the attorney general of England; Right Hon. F. E. Smith; Sir Austen Chamberlain and many eminent lawyers said at the time that the statute of Westminster would not change one word of the written constitution of southern Ireland, they changed every article of that constitution, including the abolition of appeals to the privy council. What will be the effect of the statute of Westminster on this application as far as Canada is concerned? No doubt that point will be raised when the matter comes up in the imperial parliament. I hope this will not lead to giving Canada the right to change its own constitution at will, as was given to one other dominion; the provinces must also consent to that.

These are very grave times for the mother of parliaments, and while I support the application, as I have always supported this principle, I do not want to see this a meaningless thing, just getting an amendment of the British North America Act and then having it stand for months and years. We are thirty-one years behind the mother country. She got this splendid social legislation in 1909; under the Liberal platform we were to get it in 1919, and here twenty-one years later we have not got it yet; there is only a proposal for enabling legislation, with no details or plan. This is going to open the door to applications from India and the two other dominions I have named at a very grave time for the empire. In view of the heavy burden put upon industry and agriculture by the government yesterday the government should tell the house and the country, employers of

labour and the working classes, who are most anxious to have relief from the terrible social and economic burden they are suffering to-day, what this scheme is, what the details are, what the cost will be and who pays it. If it is going to mean an additional burden added to real estate we should know and the country should know before the legislation is passed.

Mr. J. T. THORSON (Selkirk): I shall be only a few moments in my advocacy of this resolution. Unemployment insurance is a very important part of the programme of national reform upon which this country must embark. I wish, however, to dispute the contention that it is necessary to obtain the consent of the provinces before an application is made to amend the British North America Act. In my opinion there is no such necessity. On the other hand, it is the course of wisdom to advance as advances may be properly made, and I am sure that every hon. member is very glad that all the provinces of Canada have agreed to this measure. But I would not wish this debate to conclude with an acceptance, either direct or implied, of the doctrine that it is necessary to obtain the consent of the provinces before an application is made to amend the British North America Act. Fortunately, this is an academic question at this time.

Mr. LAPOINTE (Quebec East): May I tell my hon. friend that neither the Prime Minister nor I have said that it is necessary, but it may be desirable.

Mr. THORSON: The Prime Minister (Mr. Mackenzie King) has made it perfectly clear that the question does not enter into this discussion, in view of the fact that all the provinces have signified their willingness that this amendment should be requested.

There is one other matter to which I should like to make reference. It seems to me that at this stage, and in view of the development of this country as a nation, our present method of proceeding with constitutional reform is archaic. We ought to have definitely within our own hands the power of making such constitutional amendments as commend themselves to the people of Canada, without having to take the steps that are now necessary. In view of the fact, however, that we have not yet ourselves outlined the procedure for amending our constitution, apparently this is the only road open to us. I hope that this will be an incentive to us to devise ways and means of amending our constitution, so that when other constitutional reforms commend themselves to the people of Canada we may put such reforms into effect of our own motion.

[Mr. Church.]

These are the only two points that I wish to make. I am sure that we are all glad that this very necessary measure of national reform is about to be implemented.

Mr. W. F. KUHL (Jasper-Edson): Mr. Speaker, with most of the later remarks of the hon. gentleman (Mr. Thorson) who has just taken his seat I quite heartily agree, although with his first remarks I disagree. The hon. gentleman suggested that this was one of the steps necessary to the social progress of this country. Of course we are unable to pass judgment as to the effect of this step on economic conditions in Canada until we have the actual measure before us, so that we may see in just what manner this unemployment insurance scheme is to be conducted; but if it is going to be managed in the same manner that practically all other measures are handled, we can rest quite assured, I believe, that any funds necessary for this purpose will be obtained through either increased taxation or borrowing, which in the final analysis amounts to the same thing. Consequently, while I greatly dislike to suggest it, I feel that any proposal which is going to lead to increased taxation or borrowing can be described as nothing but a redistribution of power. What we want in this country is a distribution of the wealth, which is actually and potentially great. As my leader pointed out this afternoon, that is the problem with which the government is faced. Personally I do not think it is at all necessary to obtain any amendment to the British North America Act to bring about that condition. There are at the present time plenty of facilities available which the government could use to enable the people of Canada collectively to provide for their own security.

As I have already stated, with the later remarks of the hon. member for Selkirk I heartily agree. As most hon. members know, I have been particularly interested in the constitutional aspect of our situation, and in times past have made a few addresses on this subject. As I have said before, I do not pretend to be an expert; I look at the matter merely from the point of view of a layman wishing to see conditions here of which we can be proud and which will enable us to perform our duties most effectively. As has been indicated by the hon. member for Rosetown-Biggar (Mr. Coldwell) and the hon. member for Selkirk, there should be no reason why we in Canada could not amend our constitution without referring to the imperial parliament. That situation, as I see it, is just one

of the many anomalies still existing in relation to our constitutional position, and it is one which I am sure every one agrees should be removed at the earliest possible opportunity.

In connection with the power to amend our own constitution, and the contradiction that exists in that regard, once again I should like to refer to a few sentences appearing in the report of the imperial conference of 1926. I am sure most people who think of these matters must ask themselves this question: If we are a nation; if we are self-governing; if we have the right to determine our own affairs, why must we proceed to the imperial parliament to seek an amendment to our constitution? On the one hand we claim that we are independent, that we are free, that we are self-governing; on the other hand we resort to steps which deny what we claim to believe. The report of the inter-imperial relations committee, presented to the imperial conference of 1926, contains this reference to the units which compose the British empire:

> They are autonomous communities within the British empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the crown, and freely associated as members of the British commonwealth of nations.

If that is the condition which obtains in the relationship of the various parts of the empire to the mother country, then I also cannot see why Canada should not have the right to amend her own constitution.

It is rather unfortunate that this matter should be raised in the house at this time. In my opinion this question of amending the British North America Act is not the only issue involved in regard to constitutional matters. I believe this raises the whole constitutional position in Canada at this time; and the situation is such that I believe we ought do something definite to remedy it and put our constitutional house in order. With the hour being so serious as it is, it is most inappropriate to precipitate anything in the way of constitutional trouble at this time. Conditions being what they are in Canada to-day, there is sufficient to cause a first-class constitutional crisis. I would be much happier if the government would see fit to refrain from dealing with constitutional matters until such time as the atmosphere is more conducive to discussing and debating a measure of that kind.

Mr. MacNICOL: The constitutional question depends upon the British fleet.

Mr. KUHL: The fear I have in connection with this method of amending the British North America Act, our so-called constitution, is that we shall be setting up a precedent or more or less giving approval or sanction to constitutional conditions which obtain at the moment. Personally I do not wish to do that. As I said previously, there are in our constitutional position many anomalies which I think ought to be removed. I shall not deal at any length with these, but I should like to suggest a few of them in order to outline the problem which still confronts us constitutionally.

First is the method of amending our constitution. There certainly should be some regular and established method of amending our constitution. Next we have the anomalous position which obtains with regard to the governor general. The inter-imperial relations committee indicated in 1926 the position of the governor general since the enactment of the statute of Westminster, when it stated:

> In our opinion it is an essential consequence of the equality of status existing among the members of the British commonwealth of nations that the governor general of a dominion is the representative of the crown, holding in all essential respects the same position in relation to the administration of public affairs in the dominion as is held by His Majesty the King in Great Britain, and that he is not the representative or agent of His Majesty's government in Great Britain or of any department of the government.

It must be quite obvious to everyone from a reading of that paragraph that since 1931 the position of the governor general has been that of personal representative of His Majesty the King. That is quite proper. Yet, on the other hand, there are sections of the British North America Act which grant the governor general authority over certain matters in Canada. Section 11 of the British North America Act gives to the governor general the power to summon, appoint and remove from time to time members of the privy council of Canada. Under section 14 he has the authority to appoint a commisioner of the Yukon territory. Under section 24 he is instructed upon how to appoint the senate. Under sections 55, 56 and 57 he is given the power of disallowance over dominion legislation. Under section 90 he is given the power of disallowance over provincial legislation. If the governor general is merely the representative of His Majesty the King; if he has no more authority over governmental affairs in Canada than has His Majesty the King in Great Britain, then no such authority as is granted by these sections should be extended to the governor general.

The power of disallowance is an anomaly which should not exist in a democratic country. It is a relic of colonialism. It certainly is not compatible with the fundamental principles of democracy.

Another anomaly exists in connection with our status as citizens. We claim that Canada is a nation, and yet not one of us has the privilege of stating that he is a Canadian. There is in our statutes no provision by which we can state that we are of Canadian nationality. People who have been born in Canada should have the right to claim Canadian nationality.

I omitted to refer to the senate. To have a governmental body appointed with authority over the people's elected representative is something which I think should not be tolerated in a democratic country. There certainly should be a good deal of reform with regard to the position of the senate.

Then we refer to the government as the federal government. If my understanding of the meaning of the terms "federal government" and "federal union" is correct, there must have been a time when we ratified a constitution creating a federal union and federal government in Canada. My knowledge of history does not indicate any time in the past when we ratified such a constitution. In addresses which I have delivered in the past I have indicated—

Mr. SPEAKER: I do not like to interrupt the hon. gentleman, but he is travelling far beyond the confines of this resolution.

Mr. KUHL: I am simply enumerating several of the anomalies which exist in our constitutional position. The method of amending the British North America Act is one.

Mr. LAPOINTE (Quebec East): We are dealing with this particular amendment.

Mr. KUHL: I am simply stating that all these anomalies should be dealt with, including the method of amending the British North America Act.

I should like to refer to one more anomaly before concluding this portion of my remarks. We have no federal district in Canada. In every other federal union there is a proper federal district which is controlled by the federal government. That should be the case in Canada. Canada is the only country in the world without a distinctive national flag. We heard a great deal about this from the former member for North Battleford, Mr. McIntosh.

Mr. SPEAKER: I must call the hon. gentleman to order. The resolution before the house does not deal with a national flag. I ask the hon. member again to confine himself to the terms of the resolution as strictly as he possibly can.

Mr. KUHL: I thank you, Mr. Speaker. I had almost concluded that portion of my remarks. I have enumerated what I believe are other anomalies in addition to the one which exists in connection with the measure now under consideration. I believe that the best possible advice with regard to removing the anomaly in connection with amending our constitution is to be found in the recommendations contained in the report of the special committee of 1935 on the British North America Act.

Mr. SPEAKER: I must again call the attention of the hon. member to the fact that he is referring to the growth and removal of anomalies. What we are concerned with in this resolution is an application under the existing law to amend our constitution, and I would again ask the hon. member to address himself to that question.

Mr. KUHL: Is it your ruling, Mr. Speaker, that nothing in connection with ways and means of amending our constitution can be discussed on this measure?

Mr. SPEAKER: The sole subject before the house is a concrete application to amend the constitution. If the hon. member is against this method of approach he has the right so to express himself, but he is not in order in discussing anomalies in our constitution. That is not within the confines of the resolution.

Mr. KUHL: Of course, Mr. Speaker, I bow to your ruling, but I feel nevertheless that it is drawing the line pretty closely. I shall, however, endeavour to conclude as strictly in accordance with your ruling as I can.

I believe the anomaly could be overcome by overhauling our whole constitutional position. If we are to have a constitution in harmony with the constitutional principles of democracy, we can achieve it only by a complete overhauling. I see no other way of doing it than by starting right from the beginning, with an interprovincial conference followed by the drafting of a constitution which will deal adequately not only with this question but with all the other anomalies in our constitutional position. I am sorry, sir, that on this occasion of seeking to amend the British North America Act the circumstances of the war do not enable us to deal more adequately with our general constitutional position, but I trust that before many more years have passed we shall feel more free to express ourselves and to enact measures which will adequately take care of such measures as the one with which we are now dealing.

Mr. A. R. ADAMSON (York West): Mr. Speaker, I am heartily in support of this resolution to amend the British North America Act so as to allow parliament to bring unemployment insurance into force in Canada. In an

industrial riding such as mine it is an absolute necessity that workers in industries which may be tremendously affected not only by foreign affairs but even by climatic conditions must feel that they have security of employment. I am only sorry that such a measure was not put into force five years ago, and the constitutional question could have been fought out after the measure was in effect. In that connection I agree very largely with the hon. member for Selkirk (Mr. Thorson) in his remarks about our right to amend the constitution. While I am not learned in the law, I come from an industrial riding, and being industrially and nationally minded I cannot help feeling that this proposed measure might well go further. I feel that it does not go nearly far enough.

I hope I am not transgressing your ruling, Mr. Speaker, that we must not discuss matters which are not strictly relevant to the resolution, when I say that in my opinion the British North America Act should be made more flexible than it is now. We have had this act since 1867. It was amended in 1931 by the statute of Westminster. Now we are seeking another amendment. All legislation, no matter how perfect it may be at the time it is passed, is bound to become obsolete. Nothing is permanent except change. The act of 1867 is not applicable to conditions to-day and many of its clauses are archaic. I should like to make the suggestion that at some time in the future the British North America Act should be treated as we treat the Bank Act and come up for review and revision at the end of every decennial period.

This resolution deals solely with unemployment insurance, but to-day we see many of our provinces and cities setting up what almost amount to tariff barriers. The province of New Brunswick, for example, and the province of Quebec, have imposed taxes on cigarettes and other commodities which taxes, while they may be minor in their effects, do show, in my opinion, a dangerous trend in our economic life. We should have one strong federal authority with complete authority to legislate with regard to all these matters and to deal with unemployment insurance, hours of labour, fair wages, minimum wages and so forth, in a way that would give us uniform standards right across Canada, rather than the sectional differences which have been created in the past by provincial action. I realize, of course, that it is a difficult thing to do, but it is the goal towards which we must work.

Some other remarks which I had intended to make, Mr. Speaker, I am afraid would transgress your ruling, but possibly at some future time I may have a further opportunity to discuss the constitution. At this moment I shall only say that I am heartily in support of this unemployment insurance measure and I shall do everything I can to help its passage.

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, I have only a very few words to say on this resolution dealing with unemployment insurance because the hon. member for Rosetown-Biggar (Mr. Coldwell) has already stated the case so far as we are concerned. We accept this instalment of social insurance, not because it is the best thing possible, but because it appears to be the only thing available at this time. I am as well aware as the hon. member for Lethbridge (Mr. Blackmore) that unemployment insurance when we get it, will not be a solution of the social problems which confront us in this country. Unemployment insurance has not solved the social problems in any country where it has been put into effect. But I know of no country in which unemployment insurance has been tried that would to-day rescind or repeal that legislation. It is a step towards further social security.

The reason why I rose in my place was to reply to some remarks of the hon. member for Brant (Mr. Wood) arising out of some observations I made a couple of weeks ago upon the standard of living among the working class. The hon. member said that he thought the trouble was not so much the high cost of living as the cost of high living. That may be true in Brant, but it is certainly not true in Vancouver East. If we are suffering, it is not from the cost of high living; we are suffering—extremely—from the cost of low living, or poor living.

The hon. member made a further statement, with which I do not believe anybody who has made a study of economic trends can agree, namely, that the farmers pay for all social legislation. It may not have occurred to the hon. gentleman that the farmers and the industrial workers are not two distinct groups, working against each other, but are complementary groups within the social economy, working together and producing all wealth. But for the function and production of the industrial worker producing the tools and machinery the farmer uses, the farmer, instead of keeping the rest of the community, would have a hard time to maintain himself. He would be digging the ground as his ancestors did, with a crooked stick, sowing his little seeds here and there, and facing starvation whenever there was a bad season. To-day, because of advancement in mechanical and other sciences, the farmer in the country and the worker in the city are able to produce between them an enormous amount of goods, so large a volume that we do not know what to do with them. The phenomenon with which

we are confronted is that although it is becoming more and more difficult for the individual to provide for his own social security, it is becoming progressively easier for us as national units to provide for the security of everyone. But this security can be achieved only by the various federal, provincial, municipal and maybe some forms of cooperative organizations working together and appropriating to themselves the results of their common labour.

I said a moment ago that the farmer and the industrial worker produced the whole of the country's wealth. Yet, although these workers produce the country's wealth, other people take it. That other people take it is patent, because the farmer and the industrial worker are becoming progressively more steeped in poverty.

I wish, as do other hon. members, that the government had gone further in this regard and asked for an amendment to the British North America Act which would enable us to inaugurate a comprehensive scheme of social security legislation. Other countries not so wealthy as Canada have made more progress in this direction. The Australian scheme of social security went into effect on January 1, 1939; the New Zealand scheme went into operation on April 1 last year; other countries have taken similar action. But if we cannot get a whole loaf we will take a half loaf, and if we cannot get a half loaf we will take a quarter loaf. But we shall follow the example of Oliver Twist; we shall keep on asking for more; and there is no finality as far as we of this group are concerned.

Mr. A. W. ROEBUCK (Trinity): May I have the privilege of saying a word in connection with this resolution? I should like to put on record my approval of it, for two reasons. The first is that I come from an industrial riding where in my judgment a great deal of benefit will be distributed among a very large number of people as a result of the projected measure. I should like to tender to the government the satisfaction which, I know, so many working men and women will feel on hearing of the success of this measure and their congratulations to the government for at last bringing it to a successful conclusion. My second reason is that for many years I have expressed myself on innumerable occasions as in favour of this legislation. I was present at the great convention of 1919 when it was referred to with approval by the Liberal party; and furthermore, in much more recent times I represented the province of Ontario before the privy council in England in the discussion of the measure when it was under review in the constitutional reference. On that occasion I made an effort on behalf of the province to save the measure constitutionally. We went over the various arguments which were advanced to show its constitutionality, and most of them were discarded. I pinned my faith to the one thought that it might fall within the clause: "peace, order and good government." The argument was not very strong, however, and at the time I doubted its soundness. The privy council agreed with me in the doubt. Still, it was an effort to save the measure and the advantages and benefits which I knew, and my province knew, would flow from it.

The measure has been attacked in the house this afternoon, first, by the hon. member for Lethbridge (Mr. Blackmore) on the ground that it is not a cure for unemployment; second, by the hon. member for Vancouver East (Mr. MacInnis) on the ground that it is not a cure for social ills. Well, it does not purport to be either of those things, and it seems to me important that this measure be not damned in its initial stages by being advertised as something which it is not. It is hardly fair to attack legislation because it is not something which it does not purport to be. It is much fairer to consider it on the basis of what it is.

It is a limited measure. It does not purport to go to the root of unemployment or to prevent unemployment. What it does do is, in a limited number of cases, for certain classes, provide relief to those who have been in employment at one time and then lose their employment.

It should not be considered anything else than that, and should be judged on the merits of the proposed bill as it will be or as it is. But I am satisfied, after long consideration of this measure, that as years go by it will bring comfort and benefit to many, many thousands of our fellow citizens; and that, Mr. Speaker, is enough. On that ground, the ground of what the legislation is, not what it is not, I congratulate the government on at last bringing it to real success.

Motion agreed to.

SOCKEYE SALMON FISHERY

PRICE TO BE PAID TO FISHERMEN BY BRITISH COLUMBIA CANNERS

On the orders of the day:

Mr. A. W. NEILL (Comox-Alberni): I wish to call the attention of the government and particularly of the Minister of Fisheries (Mr. Michaud) to a matter so urgent, so important, that it might well justify the moving of the adjournment of the house. Possibly, however, this method will suffice. Within a few days the sockeye salmon fishing

in British Columbia will open, and on it depends ninety per cent, I should think, of the livelihood of the gill netters of British Columbia. The canners have, within the last few days, set the price which they claim is all they are able to pay, and it is so far below last year's prices that the fishermen contend, justly I think, that with the tremendous increase in the price of gear—web and so on—and the higher cost of living it will be utterly impossible for them to live, to say nothing of making a livelihood at these prices. The canners claim in justification that their action is caused by price restrictions made by the British government, and therefore the question seems to be one of national importance. It would be better public policy, it would pay the government and it would pay us all, rather than have these thousands of fishermen and workers in allied industries idle and dissatisfied all summer, to have the matter treated as a situation somewhat parallel to that with which apples were dealt with, so that there would be guaranteed to the canners such a price as would enable the fishermen to get a price at least approximating what was paid last year. I will send the telegram over to the minister.

Hon. J. E. MICHAUD (Minister of Fisheries): The hon. member was good enough to intimate to me before the house met that he would ask this question.

Mr. NEILL: Will the minister allow me? I forgot to state that I was speaking on behalf of several members from British Columbia who are interested.

Mr. MICHAUD: I had occasion to look into the matter. The government has in fact been made aware of the decision of the British Columbia canners to pay the fishermen this year twenty per cent less than they paid last year for sockeye salmon. This variety of salmon is of the highest grade and quality, and heretofore almost eighty per cent of the annual Canadian pack was marketed in Great Britain. Owing to disturbed conditions and the relatively low price set by the British food controller for this high grade commodity, the canners are uncertain as to the possibility of being able to market the pack this year and they feel that they cannot pay more than they are now offering. Although this is no longer a matter of fishing but a marketing problem, the whole situation has created a real social problem in British Columbia, and it has not escaped the attention of the government. At the present time consideration is being given to its possible solution as well as to the methods whereby it can be solved. That is all I can say at present.

Mr. NEILL: The matter is urgent.

BUSINESS OF THE HOUSE

DOMINION DAY ADJOURNMENT

On the orders of the day:

Mr. W. P. MULOCK (York North): May I ask the Minister of Justice (Mr. Lapointe) if any decision has been made as to whether the house will sit on the first of July?

Right Hon. ERNEST LAPOINTE (Minister of Justice): Many members of the house, I know, have informed the Prime Minister that they have made engagements on dominion day in their own constituencies or elsewhere and have requested that the house should not sit. I believe it is the intention of the Prime Minister to give notice on the order paper that he will move accordingly.

CAPE BRETON COAL MINES

ITALIAN AND GERMAN CITIZENS PREVENTED FROM WORKING AND NOW ON RELIEF

On the orders of the day:

Mr. CLARENCE GILLIS (Cape Breton South): I wish to ask the Minister of Labour (Mr. McLarty) a question. This morning I received a letter from the mayor of Dominion, Nova Scotia, to the effect that a great number of Italian, German and Austrian citizens, residents of that town, have been forcibly prevented from working in the coal mines and that consequently the town of Dominion is faced with the need of providing relief for these people, which it is not in a position to do. Will the minister inform the house whether he has received information in connection with this situation? If so, what steps is he taking with regard to it?

Hon. N. A. McLARTY (Minister of Labour): The situation is similar to one dealt with by the Minister of Justice (Mr. Lapointe) some time ago. I have asked that inquiries be made into the matter through the provincial government, and I can assure the hon. member that every possible consideration will be given to the circumstances he has outlined.

LABOUR CONDITIONS

APPLICATION FOR BOARD OF CONCILIATION ON DISPUTE AT TRENTON, N.S., STEEL AND CAR WORKS

On the orders of the day:

Mr. CLARENCE GILLIS (Cape Breton South): Will the Minister of Labour (Mr. McLarty) be good enough to answer another question? I have received a lengthy telegram this afternoon from the steel and car works at Trenton, Nova Scotia. A conciliation board

was applied for there on May 6, but to date nothing has been done. Has the minister any information in that regard?

Hon. N. A. McLARTY (Minister of Labour): I have some information on that matter. The leader of the opposition (Mr. Hanson) was kind enough to notify me that on the third reading of the Unemployment and Agricultural Assistance Act he would ask some questions in that connection, and I have had a report prepared. In view of the prior request of the leader of the opposition, I think it would be only fair to answer at that time.

WHEAT

INQUIRY AS TO INTERIM PAYMENTS ON 1939 CROP

On the orders of the day:

Mr. ROBERT FAIR (Battle River): On other occasions I have asked the Minister of Trade and Commerce (Mr. MacKinnon) when we may expect information in connection with an interim payment on the 1939 wheat crop. Can the minister tell us something about that to-day? Those of us who represent wheat growers are flooded with letters telling us of the need of this payment.

Hon. J. A. MacKINNON (Minister of Trade and Commerce): I know of no intention on the part of the wheat board to make an interim payment until and if there is money available for that purpose. The question of making provision for an interim payment, when the money is available, is under consideration at present.

RADIO BROADCASTING

NEWS SERVICES—CANCELLATION OF TRANS-RADIO PERMIT AS OF JULY 1

On the orders of the day:

Mr. T. C. DOUGLAS (Weyburn): I wish to ask the government a question. The hon. member for Rosetown-Biggar (Mr. Coldwell) sent notice of the question to the Minister of Transport (Mr. Howe). Since the minister is not in his place, I will put the question and leave it as a notice. Has the government reconsidered the case of Trans-Radio press service? If not, has it made careful inquiry into its credentials, or in the alternative, is the board of governors of the Canadian Broadcasting Corporation reconsidering the matter? If so, will the decision of the board be announced immediately in order that no injustice or misunderstanding may arise concerning this matter?

Right Hon. ERNEST LAPOINTE (Minister of Justice): I shall see that the Minister of Transport gives an answer to my hon. friend.

[Mr. Gillis.]

UNEMPLOYMENT RELIEF

ALLEVIATION OF UNEMPLOYMENT AND AGRICULTURAL DISTRESS—UNDERTAKINGS IN GENERAL INTEREST AND FINANCIAL ASSISTANCE TO PROVINCES

Hon. N. A. McLARTY (Minister of Labour) moved the third reading of Bill No. 42, to assist in the alleviation of unemployment and agricultural distress.

Hon. R. B. HANSON (Leader of the Opposition): As has already been intimated by the Minister of Labour, there is a matter which I desire to discuss on this third reading, and which I hope may be considered pertinent, because if I do not get an opportunity to do it now I do not know when the occasion may arise again.

I am familiar in a degree with the situation existing in Pictou, Nova Scotia, a county that was settled by some of the finest stock that ever entered Canada. I bow to the assistant clerk, because he is directly descended from that gallant band who came over to Canada in the *Hector*. During the course of my educational career in Nova Scotia nearly half a century ago, I learned that if you came over in the *Hector* you were of the very élite. If I had not learned it then I should have learned it in this house some years later when this house, in 1923, gave a grant for the celebration of the one hundred and fiftieth anniversary of the arrival of the *Hector*. In other words, what the *Mayflower* is to New England the *Hector* was to the province of Nova Scotia and the county of Pictou.

Primarily an agricultural section, in course of time through the initiative of two or three or four very gallant Scotsmen it became more or less an industrial centre, due, I think, largely to the discovery there of coal of good quality. As a result of the initiative of these men, who grew into importance in Nova Scotia, that portion of the province became an iron and steel centre. To-day there is situated in that country, at Trenton and elsewhere, plants comparable, I believe, with anything that may be found even in central Canada for the manufacture of certain types of munitions and other commodities that might be very useful at this time in connection with Canada's war effort. During the last war the Nova Scotia Steel and Coal Company, then managed by my old friend who was for ten years a valuable member of this house and who is now resting on his laurels in the other chamber, manufactured no less than 25,000,000 shells for the Imperial Munitions Board. Since we came here he has been urging me, and I have been urging the Minister of Munitions and Supply (Mr. Howe) to do something to

utilize those plants at Trenton and elsewhere in the county of Pictou for this very important purpose. I have been content not to raise any question about the matter in this house until to-day. I received to-day a telegram transmitting a resolution unanimously passed at a joint meeting of the town councils of the towns of New Glasgow and Trenton and members of the boards of trade of those towns in which they say that they—

—view with alarm the grave crisis now developing in the European war, in which the safety and welfare of our British empire is involved, and the imminent and essential need of all Canadians immediately doing all humanly possible to assist in a great war effort.

And further reciting that:

It appears that the major industry in our locality, with its workmen, have thus far failed to fully use their facilities for the manufacture and production of war munitions, largely due to a continued dispute between the company and workmen over rates of pay, hours of labour and working conditions.

It is with respect to that that I desire to discuss briefly with my hon. friend the Minister of Labour the situation in that section of the country. It is further alleged in this telegram that the large plants of the Trenton steel works and the Eastern Car company are now practically idle and doing nothing towards the war effort by the manufacture of war materials, of which they have a proven capacity, as evidenced in the last war, and as shortly narrated by myself. Then it recites that the differences between the management and workmen of the steel plant to be dealt with by a conciliation board now set up may not be heard and dealt with finally for some considerable time. Then the telegram proceeds:

Therefore be it resolved that we urgently petition the government of Canada, through its departments, to immediately cause action to be taken for the prompt settlement of the differences between the men and the company.

Be it further resolved that we also petition the government of Canada to make available to these companies and the workmen sufficient orders for war materials and munitions so that these industries may be immediately utilized to their greatest capacity.

The minister has been good enough to supply me with a brief statement of the situation existing in that section. I understand that there are no less than three disputes which are presently to be heard.

Mr. McLARTY: That is just in this one case. There are many other boards set up.

Mr. HANSON (York-Sunbury): I understand from the memorandum I have received that applications were received as late as May 9 last in the Department of Labour from employees of the Trenton steel works, the Eastern Car company and the New Glasgow plant of Standard Clay Products Limited, employees of all three plants being members of local No. 1231 of the Amalgamated Association of Iron, Steel and Tin Workers of steel workers' organizing committee. Now I am not sure, I will ask the minister to tell me when he replies, whether that is the Congress of Industrial Organization's union.

Mr. McLARTY: It is.

Mr. HANSON (York-Sunbury): Well, I am not concerned about that at all; but it is further represented that the dispute in each company arose in connection with the employees' request for increased wages, and that employees' representatives were quite willing to have one board deal with all three disputes, but that the company in its reply pointed out that about March 1 last the officials and union executives met for the purpose of discussing wages and working conditions at Trenton and as a result of these negotiations an increase of 7½ per cent was granted and certain other adjustments made. Without going into details of the subsequent steps it would appear that this arrangement was not ratified by the union officials, that the matter came to a strike vote and that then a conciliation board was applied for. The company appointed a gentleman in Halifax, whom I know very well, Mr. Russell McInnes, K.C., and the men appointed Mr. Wren. I am further informed that either the parties, through their representatives, or the department—I am not sure which—agreed upon Professor MacKenzie of the university of Toronto as chairman of the board, but that as yet the board has not functioned, that for more than a month there has been delay and nothing has been done. As a result, while some work is going on in that locality under agreements which had previously expired, this festering sore is still there and, so far as I know, there has been no move made to get this conciliation board to function.

I am not concerned with the merits of this dispute. I do not know enough about it to express any opinion, and I do not think it would be my function to do so even if I had information. I am rising to ask the minister to see that this board gets on with its job and reaches a final conclusion so that industry and labour in that district may get back into unison. Then we will see if something cannot be done by way of getting some munition or war supply orders in that part of the country, which has demonstrated on many occasions that it can do a good job.

Mr. MARTIN: That is true of other places.

Mr. HANSON (York-Sunbury): I am not suggesting that it is not.

Mr. MARTIN: Just generally.

Mr. HANSON (York-Sunbury): I am not referring to any other place at the moment. My hon. friend can do that in his turn, if he wishes. I want the minister, if he will, to insist that action be taken, no matter who is to blame for the delay. My information from the department indicates that in this instance the company has not been willing to proceed. That may or may not be true. The reason alleged, I understand, is that they have many of these disputes with their employees all over Nova Scotia—I hope I am correctly interpreting my information—that they have only one office staff to attend to the adjudication or trial, shall I say, of all these disputes, that they can do only one thing at a time, and so forth. That is not good enough. Here we are at war and an important industry in Nova Scotia, the biggest industry in that province, for which I hold no brief at all, is tying up the works, in a degree, with all these labour disputes. This government has asked for great power over men and resources in this country. Surely the government can go down there and get these things straightened out in jig time.

There is one thing I should like to add, because no doubt the hon. member for Vancouver East (Mr. MacInnis) will have something to say about the matter later. Before you can get anywhere in a matter of this kind you must have some good will on both sides. The company must have the will to adjust these matters, and the men in their turn must have the will also. What I should like to see, in behalf of the people of New Glasgow and Trenton, in behalf of the community as a whole, and in behalf of Canada's war effort—because here is a real opportunity to make a contribution to the war effort of this country—is some effort made to get these matters adjusted and out of the way so that industry, as represented in that locality by this company, can function. I cannot understand why a whole month should be permitted to elapse without this board meeting. I may be wrong in that statement; my information may be too meagre to warrant it, but if that is true it ought not to be at this time, or even in time of peace. All I can do from my place in this house is to call the attention of the minister to the situation and ask him to act. I believe he will act, and I should like to say to him, do not draw back or withhold action because Michael Dwyer says so. I am not going to say anything more about that; the minister can take his own implications from my words.

Mr. ISNOR: Then why say it?

[Mr. Martin.]

Mr. HANSON (York-Sunbury): I think I know something of what I am talking about, and it was not really necessary to make that interjection. I am suggesting to the minister that he should not withhold any action because of any representations which may be made to him by an official of the steel company. Let us get action, for the good of the people of Pictou.

Mr. H. B. McCULLOCH (Pictou): I have taken up this matter with the Minister of Labour (Mr. McLarty), and he has promised immediate action. As far as Michael Dwyer is concerned, the words the minister used were that he thought he would have to step on Mr. Michael Dwyer's toes.

With regard to the work at Trenton, six hundred men are working there to-day. It is true that the car works will be idle following delivery of the last two hundred cars for the Sydney and Louisburg railway. A vote was taken by the men at the steel plant, and 62 per cent voted to work on Saturdays, at a pay increase of 7½ per cent. Mr. Barrett came up from Sydney and refused to let them work. I understand the boards of trade of Trenton and New Glasgow have tried to interview Mr. Clawes and Mr. Barrett, and the last word I had was that Mr. Clawes would give them a few minutes. It seems remarkable to me that Mr. Clawes and Mr. Barrett can refuse to let the men work in Trenton. I do not believe that an increase of 7½ per cent is enough for the men working there, since they are receiving smaller wages than are paid in other steel plants throughout the country, but as far as the conciliation board is concerned, the minister has given me his word that everything will be rushed as much as possible.

Mr. T. L. CHURCH (Broadview): Will the minister give further consideration to the five matters I mentioned last week? We are taking away further the revenues of the municipalities by way of the income tax, and so on. In these new agreements with the provinces will the government give consideration to relieving real estate of some of the burden of taxation by federal aid to help more to provide for relief and hospitalization? Then there is the question of those men, forty-five years of age and older, who cannot find employment in industry, and there is also the question of those employees who have been laid off by industries which have closed up altogether on account of lost markets in war areas, as I mentioned last week.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. CHURCH: I should like to have a reply from the minister to the questions I asked at six o'clock.

Hon. N. A. McLARTY (Minister of Labour): As I understood the hon. member for Broadview (Mr. Church), he was asking what this government was doing to relieve the tax burden on real estate. I take it that he means that we should absorb a larger amount of the relief costs. If that is so, I think he will agree with me when I say that in view of the large expenditures being made by this government upon our war effort, in view of the fact that we still have to consider the report of the dominion-provincial commission, any promise which I might make, other than merely that of consideration, would be neither warranted nor fair. The hon. member asked also what was being done to provide employment for men over the age of forty-five years. Perhaps that question could be more correctly stated in these words: What are we doing to provide employment for these men in the aftermath of the war? In answer to that question all I can say is that we are at present making every possible effort to retrain men who are over that age and who have some degree of skill.

The hon. member also directed attention to a plant in Toronto which had been closed because its export business to Europe had been seriously impaired by the war and suggested that this plant could be used in manufacturing munitions or other war material. As far as the Department of Labour is concerned, we are anxious to see employment increase to the maximum. However, the matter of whether or not this particular plant or any other plant receives a munitions order or an order for other war material is something which would scarcely fall within the Department of Labour. While I am on my feet—

Mr. SPEAKER: Is the minister closing the debate?

Mr. McLARTY: I did not intend to close the debate. If my rising now closes the debate, I would ask that my answers be waived for the present and be placed on the record later on. I did want to reply to a matter raised by the leader of the opposition (Mr. Hanson).

Mr. SPEAKER: Is the house ready for the question?

Mr. McLARTY: If the house is ready for the question, perhaps I could reply to the leader of the opposition.

Mr. SPEAKER: If the minister speaks now, he will close the debate.

Mr. GRAHAM: The minister stated that the report of the dominion-provincial commission has yet to be considered. Is he in a position to indicate when or in what manner that report will be considered?

Mr. McLARTY: I am afraid that that decision rests in hands other than my own. I am not in a position to give an answer to that question.

The leader of the opposition referred to the setting up of industrial disputes boards in connection with certain firms in eastern Canada. During the recess I have endeavoured to go into the facts mentioned by the leader of the opposition.

I must say quite frankly that this Trenton steel works' matter has been one of the most difficult problems with which I have had to deal under the Industrial Disputes Investigation Act. Three companies are involved and I believe it is fair to say that they are interlocking. As the leader of the opposition pointed out this afternoon, there is just the one union interested. Three boards were applied for, but the representatives of the employees were content to accept one board. The difficulty arose in connection with Standard Clay Products company. In this case the logical thing seemed to be to set up, not three but probably two boards.

The request was received on May 9 and immediately a wire was sent to the company asking for an immediate answer. The leader of the opposition has suggested that I should beware of the blandishments of certain individuals. I have always regarded my functions in connection with the setting up of boards under the Industrial Disputes Investigation Act as being at least of a quasi-judicial nature. In order to be strictly impartial I have endeavoured in each case to appoint either a supreme court or a county court judge. In this I do not criticize the present board or any members of it. I had thought the policy advisable because of their capacity to weigh evidence and because of the fact that they would be regarded as being strictly impartial.

When the application for these boards was received, the company's reply indicated that on March 1 an agreement had been entered into between the employees and the company, whereby the company agreed to an increase in wages of 7½ per cent. I shall not endeavour to prejudge the matter and say whether or not that was fair, but it was voted upon and apparently 62 per cent of the employees agreed. The agreement was not signed because

it was alleged by the employees and their representative that it had been secured by what they termed unconstitutional action.

Before a board could be set up it was necessary that an investigation should be made. This investigation was made and a strike vote was held. The result was in favour of a strike, and under those circumstances a board was set up after hearing the representatives of the employers and employed on May 28. They agreed on the appropriate chairman of the board. This decision was not made by the Minister of Labour. My recollection is that this decision was made reasonably early in June.

The employees were asking for one board, but the company was asking for three. The leader of the opposition referred to a shortage of office staff, but I think he made it quite clear that the shortage was in the offices of the three companies and not in the Department of Labour. They contended that they could not possibly prepare for all three boards in a reasonable time.

An effort was therefore made to secure a reduction in the number of boards. Since the order in council was passed on November 7 of last year, a great number of boards have been appointed. It is cheaper to appoint boards than to have strikes.

The employees and their representatives approached the Department of Labour with the thought that by proper consideration and consultation with the employers the time which might be involved in the sittings of the three boards could be considerably reduced. No later than last week a representative of this particular union which functions in all three branches of the industries took up the question of dealing with the three applications as one with the representative of the employees, with the deputy minister of labour. This was arranged, and last Friday there was supposed to be—unfortunately I have not heard whether it took place or not—a meeting between the representatives of labour and the employers.

I understand that the chairman of the board, who as I say was not appointed by myself as Minister of Labour but was agreed upon between the employers and the employees, was in Halifax. My advice is that the board is now functioning. I say that with this qualification, that my advice came from the best possible source but I cannot guarantee it to be reliable. I shall, however, bear in mind the observations of the hon. leader of the opposition and see that everything possible is done to expedite the matter.

When we have passed an order in council requiring consideration by a board before any strike or lockout takes place, I think the least this department can do is to see that the board functions with expedition and as rapidly as possible. I regret the delay that has occurred. I do not place any responsibility for it upon anybody whatsoever, because this has been the most complicated situation concerning the Industrial Disputes Investigation Act with which I have had to deal. I hope that the board will start to function at the very earliest possible moment, and I shall be glad to see that this is done.

Motion agreed to and bill read the third time and passed.

AGRICULTURAL PRODUCTS

MEASURE TO PROVIDE FOR AGREEMENTS WITH COOPERATIVE ASSOCIATIONS AND PROCESSORS —CONCURRENCE IN SENATE AMENDMENTS

Hon. J. G. GARDINER (Minister of Agriculture) moved the second reading of and concurrence in amendments made by the Senate to Bill No. 24, to amend the Agricultural Products Cooperative Marketing Act, 1939.

He said: Mr. Speaker, the amendments made by the senate are similar to those which were made to the Cooperative Wheat Marketing Act. The first section of the bill has been dropped; that does not change the meaning at all. Then "one only cooperative plan" has been substituted for "a cooperative plan" in line 7, page 2 of the bill, and wherever else it occurs throughout the bill. Those are the only changes made by the senate, and we are prepared to accept their amendments.

Motion agreed to, amendments read the second time and concurred in.

SUPPLY

The house in committee of supply, Mr. Vien in the chair.

DEPARTMENT OF AGRICULTURE

Experimental farms service.

12. Experimental farms administration, $60,305.

Mr. HANSON (York-Sunbury): Did we dispose of item 11 last night?

The CHAIRMAN: Yes.

Mr. HANSON (York-Sunbury): I have not looked at *Hansard*, and I am not sure whether the minister replied to my question last night about completing the laboratory at Fredericton. I did want to get an answer to my question.

Hon. J. G. GARDINER (Minister of Agriculture): If I might revert to that item for a moment, Mr. Chairman, the department is

making inquiries into the possibility of completing the work which was intended to be completed at the Fredericton station. While we are not in a position to state definitely that the work will be completed, every effort will be made to have it completed at least to the point where we can make use of the building.

Mr. HANSON (York-Sunbury): So far so good. Has the minister any estimate of the remainder of the cost? I think it would be a pity to stop the work now.

Mr. GARDINER: I have not that information under my hand at the moment.

Mr. WRIGHT: Has the minister received any requests that experimental farms be turned into producing units for the duration of the war?

Mr. GARDINER: When we reach item 14 it will be found that a number of stations are being closed. Perhaps we can discuss the question on that item rather than on this, which has to do with the general administration of experimental farms.

Item agreed to.

Experimental farms service.

13. Central experimental farm, $589,435.

Mr. SENN: There is quite a large reduction in the vote for this particular branch. I notice there is a large reduction in wages. What is the reason for that? Is it the intention of the department or of the farm manager to lessen the activities of this branch?

Mr. GARDINER: As I have said in connection with a number of other items, we have had to cut down all our expenditures because of the necessity of having a greater amount of money available for war services. We have made provision for cutting out certain services at the central experimental farm. It is not intended this year to carry on the chrysanthemum show which has been held year after year, and flowers for the show will not be provided. The intention is to maintain the different varieties that we have at the farm but not with the idea of putting on a show in the fall. A number of features of that kind are being dropped this year, together with associated labour.

Mr. SENN: Is there any revenue from the central experimental farm? If so, where does it appear in the accounts?

Mr. GARDINER: The revenue does not appear in the estimates, but I have before me figures showing that the revenue from the Ottawa farm was $27,958.36, and the total revenue from the farms, $213,083.07.

Mr. SENN: I can readily understand that experimental farms are for experimental purposes and that they cannot be expected to pay their way; they have not done so, by a very large amount. From time to time there has been a certain amount of discussion about the inability of farmers to pay their way or to make a reasonable profit on their operations, whether upon large farms or upon small farms. I have often thought it might be a good thing if the department would undertake to operate a farm of reasonable size with the purpose of showing farmers how to operate their farms for a certain length of time at a profit. I believe, if that were tried, it might open the eyes of some people as to the meagre profits which are made on farms and the difficulties under which farmers live. Is any such scheme on foot, or are the farms merely for illustrative, experimental and demonstration purposes?

Mr. GARDINER: It is true that the farms are operated for experimental and demonstration purposes. They are not operated with the purpose of making them pay. I do not believe it would be possible so to operate a farm which is carried on for experimental purposes. It might be possible to run some of the smaller farms on a paying basis in a greater degree than they have been, possibly during the war period, as was suggested on this side of the chamber a moment ago; and we intend to reduce costs in connection with some of the farms, at least, during the next year or two while we are in the difficulties of a war period.

Mr. SENN: If it is not possible to operate a whole farm to demonstrate whether it can be run at a profit, the department might take a field of grain, carefully calculate all the expenses of planting, cultivating, harvesting, threshing and marketing the crop, and establish in that way how it is possible for farmers to produce at a profit.

Mr. GARDINER: That is done to a degree on the farms now. For example, farms with field crops are operated under the husbandry branch and records kept of the cost of production.

Mr. SENN: With what results?

Mr. GARDINER: With the idea of determining what particular crop will pay.

Mr. SENN: Would the minister say what result has been obtained in any particular line?

Mr. GARDINER: I have a synopsis of it here, but not in detail.

Mr. NICHOLSON: It would be an interesting type of experiment for this branch to carry on, to see whether one of their farms can be carried on upon a profitable basis over a period of years.

Mr. GARDINER: There are what are called major and minor activities of the field husbandry branch. Under minor activities are included farm machinery investigations, to determine the type of machinery which is most useful on certain kinds of soil. Weed eradication is another activity. Also investigations are carried on of the cost of producing and the methods of harvesting and storing crops. The costs of all phases of these operations are taken under consideration in those investigations. Also there are silage production and meteorological studies. All these are known as minor activities. The experimental and investigational work constitutes the major activities.

Mr. HATFIELD: What is the acreage of the central experimental farm in Ottawa?

Mr. GARDINER: There are 827 acres owned and 350 acres leased.

Mr. HATFIELD: Is $626,000 the amount of the loss, or was there some revenue?

Mr. GARDINER: That is the cost of carrying on the experiments on that land.

Mr. HATFIELD: What was the revenue?

Mr. GARDINER: I stated the revenue a few moments ago—$27,958.36.

Mr. McIVOR: There is an experimental substation in our district. I do not know whether it yields any cash profit, but it would be hard to overestimate the value of the work which has been done in that community, especially through the lessons which have been learned by young farmers. It is a credit to the community and to the department.

Mr. NICHOLSON: I notice an item, "senior assistant architect, $2,880." Last year there was provision for an assistant architect with a salary of $2,640. Has a promotion been made?

Mr. GARDINER: The position of senior assistant architect is vacant and has been vacant since last year.

Mr. NICHOLSON: Is the senior assistant architect the same person who was the assistant architect?

Mr. GARDINER: The assistant architect has been moved up to the position of senior assistant, and the assistant's position has not been filled.

[Mr. Gardiner.]

Mr. WRIGHT: Would the minister explain the reason for an increase of $40,000 in the item, "temporary assistance", on page 65 of the estimates? It seems a large increase.

Mr. GARDINER: Permanent salaries, reclassification, $30,000; temporary salaries, reclassification of new positions, $39,480. The explanation is this. The labouring staff has been reclassified this year. Those staffs which before were known as labourers are now temporaries.

Mr. HATFIELD: Rents have been increased. What is the reason? Feed last year was $20,000; it has been reduced to $17,000.

Mr. GARDINER: Of the lands operated by the central experimental farm 827 acres are owned and 350 acres rented.

Mr. HATFIELD: Is it necessary to buy feed?

Mr. GARDINER: Yes, feed would have to be purchased. There are feed products of different kinds not grown on the farms but used for experimental purposes.

Mr. HANSON (York-Sunbury): With regard to the general expenditure, the permanent staff at the central experimental farm has been increased from 91 to 102, notwithstanding that three quite important positions have not been filled, and there seems to be one new position, that of soil specialist, which was not there before. There is a very large increase in the cost and some increase in the number of agricultural scientists. On the whole, whatever saving there is in the department seems to be at the expense of common labourers, and if we were to take into account the cut in wages for ordinary labour, it would be found that the grant this year is very much higher than it was last year. In other words, the difference between $164,000 and $237,000 is much greater than the total reduction in the vote, which is only $37,515. We seem to be spending more money than usual for high-class scientific men and letting out a lot of labour to swell the unemployment relief roll.

Mr. GARDINER: The increase is explained for the most part by the reclassification of those who were on wages before. Two temporaries are increased. The suggestion that much of the saving will be in labour is correct. As I stated at the beginning of the discussion, some of the work that is being done away with this year, such as preparation for the chrysanthemum show, is summer labour, and since we are not carrying that on, we shall not be engaging as much labour in the summer as previously.

Mr. MARSHALL: A new position of photographer has been created. What work does this person do that could not properly be carried out by the motion picture bureau?

Mr. GARDINER: This person is reclassified by the civil service commission as a senior clerk and he does photography.

Mr. MARSHALL: He does not hold the exclusive position of photographer?

Mr. GARDINER: Not alone; he is a senior clerk who does some photography.

Mr. DIEFENBAKER: With regard to temporary assistance, I understood the minister to say that of the $98,400, the sum of $39,480 represented new positions. If so, what is the description and the number of the positions so created?

Mr. GARDINER: This is not an increase in employees but a reclassification of what was previously called labour. These persons are now employed under the civil service commission, whereas before they were engaged as labourers. They are now put into the service and classified as temporary employees and to that extent there is apparently a greater number in the salary list, but that does not mean an increase in expenditure. If the hon. member will take the next item just below, there is a reduction from $237,000 to $164,000, and in the item immediately above there is an increase. Wages are taken out of one and put in as salaries in the other.

Mr. FAIR: At what rate are the labourers paid and how many hours do they work?

Mr. GARDINER: The wages are from twenty-eight to forty-two cents an hour, and they work ten hours a day.

Mr. PERLEY: Has the minister given any consideration to transferring some of the experimental work which is done at the central experimental farm at Ottawa to the experimental farms in the west, particularly that class of experiments which pertain chiefly to western production? We have at Indian Head, perhaps the second best experimental farm in Canada, a splendid farm. Could not some of that work be carried on there, where more of the people interested could see it? I think much good would come from such a transfer.

Mr. GARDINER: The type of work which is essentially for the west is not done at the central experimental farm. Some of it is done at Brandon, other classes at Indian Head, others at Swift Current and other farms further north. The work which is done here is of a type suited to this section of Canada.

Mr. PERLEY: Is there not a great deal of experimental work carried on here in respect to grain, and feeding costs, that could be carried on more advantageously at Indian Head?

Mr. GARDINER: There is some cross-breeding of grain and other plant life done here, but when it has been developed to the point where an attempt is made to accustom it to the climate and conditions of certain sections, it is transferred to those sections for completion.

Mr. SENN: There is no doubt much valuable experimental work done at the central experimental farm. But unfortunately the public, and I believe members of parliament, do not know what is being carried on. For instance there is the division of animal husbandry. It might be interesting for the committee to know what breeds of animals are kept there and what experiments are going on.

A few years ago a new breed of hogs was imported into Canada, the breed used in Denmark where they produce such superior bacon. Those hogs were, I believe, experimented with at the central farm for some time. I remember a certain hon. gentleman who became enthusiastic about the record of those hogs.

Mr. MacNICOL: Was it a good record?

Mr. SENN: He seemed to think so. He was the hon. member for Wellington North (Mr. Blair). I do not see him in his seat for the moment, but I remember speeches he made expressing his enthusiasm. What is being done in the way of experiment with Landrace hogs, and with what results?

Another important agricultural venture in this country at present is the production of flax, which is greatly needed for war purposes. I believe experiments have been going on for some time at the central experimental farm and other places as to the best procedure in growing flax and the areas where it can be grown best. Would the minister enlighten the committee as to such experiments?

Mr. GARDINER: So far as live stock is concerned, we have Holstein, Ayrshire and shorthorn cattle, that is two of the dairy breeds and one of the beef type. In hogs we have the Yorkshires. We discontinued the experiments in connection with Landrace hogs after investigations extending over some four years. In horses we have Clydesdales. In poultry, chickens, we have Leghorns and Plymouth Rocks. In sheep we are experimenting with different breeds in order to

provide suitable breeds for both eastern and western farming. In field crops we are carrying on the usual experiments.

Mr. SENN: In what way did the Landrace hogs fall down, and what is the prospect of their ever being produced profitably in this country?

I also mentioned flax. Are any experiments going on regarding flax?

I understand that about a year ago or more some breeding horses were brought to this country. What were those breeds, from where did they come and what was the price?

Mr. GARDINER: As to the hogs, the experiments for the four years did not show any particular weakness in the Landrace hog as a hog to be bred in this country, neither did they show any particular advantage on balance over the Yorkshires, which had already been generally distributed from coast to coast, so it was thought that there was no advantage in encouraging farmers to change from the Yorkshires which were very well established in Canada.

Mr. SENN: Were there any experiments in cross-breeding?

Mr. GARDINER: Yes, there was considerable experimenting. I think the hon. member for Haldimand went out with us four or five years ago—

Mr. SENN: No I was not there.

Mr. GARDINER: Well the results of the experiments were seen by many who visited the farm. At present the hogs are not there. There was some difficulty about obtaining boars from Sweden or elsewhere in order to keep up the proper cross-breeding of this type through Canada, so the experiment was discontinued.

Regarding flax, hon. members will recall that during the last war the acreage seeded to flax was greatly increased, I think from somewhere round twelve thousand acres to about forty thousand acres. After the war considerable difficulty was experienced as a result of the changes made; there was too much land under flax, and factories had been built to treat it which could not be fully employed after the war was over, so considerable financial difficulty arose. When this war began, similar demands were made for flax. Just prior to the war we had been carrying on certain investigations as to machines used in Belgium and elsewhere, largely produced in Belgium, for processing flax. Those machines had been introduced at two points I think, one in Ontario and one in Quebec, for experimental purposes, and those experiments were quite successful. As a result the acreage seeded to flax has, I believe, been about doubled up to the present as compared with years just preceding the war, the idea being to produce some of the flax fibre which is required to supply the needs of Great Britain and also to supply seed for Great Britain and for Ireland. The department is attempting to keep control over the sale of the seed. We took possession of the seed last year at a price and distributed some to the different areas where we thought flax could be grown to best advantage, and the remainder was sold to Ireland or England to be used there. We are keeping control over the seed, hoping thus to keep some control over the acreage seeded in Canada, and so take the industry through the war without the difficulties arising that were experienced after the last war.

Mr. WRIGHT: Is a rust-resistant barley being developed at the central experimental farm? If so, how soon will it be ready for distribution?

Mr. GARDINER: There are three or four strains of rust-resistant barley at the central experimental farm here and at Winnipeg, but none of them is yet ready for distribution.

Mr. HARRIS (Danforth): To go back to the subject of flax for a moment, from the minister's remarks I gathered that the ebb and flow of activity within the department as far as flax is concerned depend on market conditions and requirements. I also gathered from his remarks that there has been a substantial expansion in the acreage seeded, to perhaps twice the former acreage. I should like to ask two questions. First, is there any sizable quantity of seed in the hands of the government? The second question is based on the first, and perhaps the minister might enlarge upon it for the benefit of the committee, since probably he knows more about it than we do. It is a fact that the price of flaxseed has dropped materially, and now is almost half what it was. In view of that, and in view of the fact that the policy seems to be to harmonize the effort in accordance with the economy of the situation, would the minister feel disposed to peg the price of flaxseed?

Mr. GARDINER: I am informed that there has not been any material increase in the price of flaxseed during the last four or five years.

Mr. HARRIS (Danforth): There has been a decrease to about one-half.

Mr. GARDINER: There has been no decrease, either.

Mr. HARRIS (Danforth): Oh, yes.

Mr. GARDINER: Of course I must take my information from the officials of the department, and they tell me there has been no change in the price of fibre seed. I think what my hon. friend may have in mind is the quotations we see in the newspapers from day to day for flax, but that is not fibre seed. I am informed that fibre seed has remained at a practically set price for the last four or five years. Certainly there has been no increase or decrease since last year, because last fall we took possession of all the flaxseed there was in Canada. We did that because in the last war, if I remember the situation correctly, that was not done, and because of the limited amount of fibre seed in existence in the world, a small group of individuals was able to get control of that seed and force up the price very quickly. That was avoided this time by the government taking possession of all the fibre flaxseed there was in Canada and simply telling the people in Ireland, who were putting forth an effort to get this seed very early in the season, that the government had all the seed, which would be distributed first to those we thought should be growing flax this year in Canada, and then the remainder would be distributed to Ireland and England. That is still the position. We have in Canada a few hundred bushels of the flaxseed that was not distributed last fall, but there is a very small amount left. So far as I know there has been no variation in price since last year, because we set the price and it was all handled at that price.

Mr. COLDWELL: Has the minister any information to give the committee with regard to the development of rustless wheat? I believe the central experimental farm is working on an improved strain of regent wheat. There was some criticism of regent wheat last year, I know, in the area round Rosetown. I know one grower who shipped his regent wheat because he did not care for it. It was graded No. 2, while the thatcher and apex were graded No. 1. I wonder if that was on account of the fact that it was not breeding true to type. What experiments are being conducted, and is an improved strain of regent or rustless wheat being developed at the central experimental farm just now?

Mr. GARDINER: Regent wheat is possibly as good as any of the rust resistant wheats which exist in sufficient volume to be distributed. Certain investigations are being carried on with regard to other varieties. Possibly it could be said that in certain areas some of the varieties being developed would be more suitable than regent wheat. Anyone who has grown wheat in western Canada realizes, I think, that there are certain varieties which grow well in the open prairie country and produce high quality wheat, which, if grown up in the northeastern section of the province, would not produce as much to the acre or such high quality wheat, and vice versa. There are wheats that grow well up in the north and keep their colour well which, if grown down on the prairie, would not produce to the same extent or the same quality. Experiments are being carried on, but I do not think it would be wise to make any statement which would lead people to believe that there may be a better wheat in existence than regent, until such time as we are certain both with regard to the variety itself and with regard to the amount available.

Mr. COLDWELL: Then I should like to ask a supplementary question. Last year I believe the department distributed a great deal of regent wheat in small quantities. How did the results last year compare with thatcher and apex? Could the minister give us any information as to the experience of the department?

Mr. GARDINER: It would be very difficult to answer the question in a general way, that is, to say one was better than another. In some districts regent was better than thatcher or any of the other varieties. In other districts apex was better than the others. I do not know that I could say thatcher is better than the others, yet in some districts the yield of thatcher was considerably better than that of the other varieties; and taking into consideration the quantity obtained per acre, along with the grading of the wheat, probably thatcher paid the farmers better than the other varieties, in those particular areas. I should not like to say one was better than another. Personally I like the look of any of the wheats better than thatcher, particularly in a difficult year, but last year, with the conditions existing, I had it proved to my own satisfaction that thatcher produced more than any other kind of wheat I have attempted to grow on the farm I operate in the west.

Mr. PERLEY: I think the experiments carried on with respect to rust resisting grain is of tremendous value and benefit to western Canada, and I believe the department should be commended for the work that is being carried on. There is however, one thing I should like to impress upon the minister. As he knows, the experience with rust resistant wheat has been that when we get a variety which is nearly one hundred per cent rust resistant, it retains that quality for only a few years. For instance, marquis used to be practically rust resistant, but now it is almost

as bad as red fyfe in that respect. Thatcher is now considered almost one hundred per cent rust resistant. Could the minister give us any information as to how quickly wheat deteriorates in this respect? I think it important also that the department should be working on a variety to take the place of thatcher, because I think there is some evidence already of thatcher deteriorating from that point of view. Then, when the time comes, if we must have another variety to take the place of thatcher, a sufficient volume would be on hand to permit of distribution, and within a year or two there would be enough available to seed those areas in the west where they absolutely must have a rust resisting wheat.

Mr. GARDINER: My information is that as long as the strain of the wheat is kept pure the wheat will remain rust resisting. I think the difficulty is largely that in growing wheat on a farm in western Canada we may sow a pure strain of wheat, but if we have been growing wheat on that farm for a considerable number of years, after we have used seed from the same land over and over again probably the strain depreciates in purity. In other words, we probably get a mixture of marquis, thatcher and regent or any other wheat we may have been growing on the farm. To the extent that the strain deteriorates in purity the wheat becomes less rust resistant. That is the theory which our officials hold in that regard. I would not attempt to refute a statement of that kind because it is made by those who are as close as we can get to experts in connection with the handling of these seed strains.

Mr. PERLEY: Absolutely pure and free from other varieties.

Mr. GARDINER: There are some strains in the same variety of wheat which are not quite as rust resistant as others. It may be that there is a mixture of these strains and after three or four years you will have more of one strain than another. The result may be that your wheat is not 100 per cent rust resistant. For instance, farmers in western Canada found some rust in their fields of thatcher wheat, and they came to the conclusion that that wheat was only 65 or 75 per cent rust resistant. I am informed that this is not true. I am told that if you have a real rust-resistant strain of thatcher wheat it will be rust resistant.

Mr. PERLEY: Could the minister give us some information with respect to experiments being carried on with rust-resistant oats?

Mr. GARDINER: The vanguard oat which is seeded in western Canada was developed at Winnipeg. It is resistant to stem rust. The urban oat was developed at the Ontario agricultural college and is resistant to leaf rust. Crosses between these two varieties are being produced and are proving quite promising. These may turn out to be the most valuable of the different strains that are being developed.

Mr. QUELCH: What has been the experience of the department with canus wheat? I believe some 600 bushels were distributed among the farmers in the drought areas of Alberta. This seed is supposed to be very drought resistant.

Mr. GARDINER: The department has had very little experience with it. It has some drought resistant qualities, but the department is not prepared to recommend it or to give any information with regard to it.

Mr. CASTLEDEN: In view of the somewhat chaotic conditions which prevail in the European wool market, perhaps the minister could state what is being done to develop a wool-type sheep which could adapt itself to the various climatic conditions of Canada.

Mr. GARDINER: There are two experiments being carried on. One is in connection with the Corriedale, a sheep being produced largely in New Zealand and Australia. It is thought that this sheep will develop into the best variety to suit our conditions, particularly in the west. Another experiment is being carried on in connection with crossing the romney and ryeland sheep. It is hoped to develop a variety which will be suited to our conditions.

Mr. CASTLEDEN: How many of these sheep are now on experimental farms?

Mr. GARDINER: About a thousand of each.

Mr. HARRIS (Danforth): I do not want the record to go unchallenged. The minister has suggested that there has been no change in the price of flaxseed during the last four or five years. He intimated that perhaps my information had been obtained by reading the daily press. I was speaking from memory at the time, but I now have before me the report of the Minister of Agriculture for 1939. I am sure that this report must be correct. It states:

> The seed yielded on the average eight bushels of mill-run per acre and No. 1 grade sold for an average price of $3 per bushel on the Irish market. This was a drop of $1.10 a bushel from the average price received the previous year.

I know the minister will suggest that the information in this report is twelve or eighteen months old, but I wanted to get the up-to-date

figures. I understand, from the press in this case, that since that time the price has again gone up beyond $2.50 a bushel. But during the last two or three months the market price of this commodity has dropped considerably, along with prices of many other commodities. Some encouragement was given to doubling acreage. We are looking forward to an increased national income to the extent of many hundreds of millions of dollars, but with this general drop in commodity prices we may have considerable difficulty in reaching the objective we have in mind. This may be a small matter, but I am bringing it to the attention of the minister in an effort to get up-to-date information similar to that given in his report for the year ended March 31, 1939. I have no doubt that his assistants will have the information to March 31, 1940. I should like to have this on the record for reference when making a general study of commodity prices. I should like to know how soon we are going to get back to better prices in order that we may be helped out in solving the major problem I mentioned.

Mr. GARDINER: The information which I gave in the first place was correct. This report is for the year ended March 31, 1939, and the figures given refer to a period earlier than that. In 1938 one Quebec company sold fibre flax seed in Ireland for $3.50. At the same time the Ontario people sold their flax for $5. From that time down to the present the price has ranged from $5 to $5.50. This year we are selling certified fibre flax seed in Ireland at $5.50; uncertified at $4.50 and No. 2 at $4. This price has been set and will be maintained throughout the year.

Mr. HANSON (York-Sunbury): I should like to have some information in connection with the Fredericton station in which I am personally interested. I should like to know what the vote was last year, what was expended last year and what the vote is this year. I should like to know what work is being carried on. I understand the superintendent has been trying to interest the farmers of central New Brunswick in the breeding of Percheron horses and certain types of cattle and also endeavouring to have them improve their pasture and other things like that. These are three things I know of. Perhaps the minister would give me the expenditure and what line of work is being carried on at the station.

While I am on my feet and the minister is conferring with his assistants, I should like to give a certificate of character and efficiency to the Fredericton superintendent. I believe he has the confidence of all the farmers of central New Brunswick. The only complaint I have to make is that the farmers do not utilize this station more to their own advantage. They seem to be, shall I say, careless in utilizing this important institution right in their midst and are not taking full advantage of the demonstrations, experiments and capacities of that little experimental station, because after all it is a small one.

I should also like to pay tribute to one or two of the superintendent's assistants. I know these men well; they are friends of mine. I do not mean political friends because they have no politics so far as I know, although I did succeed in carrying a majority at the poll that was held at the station, but that is in passing. I want to see the work of this farm extended if the opportunity offers, because I realize that New Brunswick is much more backward in scientific farming than it ought to be. I am afraid that some of our farmers, not so many I hope as used to be the case, are content to do just what they did the year before, and perhaps a little less. I can understand that because the returns to the farmers in recent years have been exceedingly small. I am interested in seeing farming a success in New Brunswick because I can say without boasting—in fact, I am rather grieved over it—that I have probably more money invested in York county farms than any other man in York county, but not on a purchase basis. I am interested, however, in seeing that our farmers take advantage of this institution. Perhaps the minister would be good enough, for the benefit of myself and others who read the press, to give a short account of what is being done there.

While I am on my feet I invite the minister to come down to Fredericton. We used to have a visit occasionally from the gentleman who was Minister of Agriculture from 1921 to 1930, and I regret he is not in parliament because I always enjoyed knowing him and talking to him. He was good enough to come and visit us on occasion and he helped that little farm out. I now extend an invitation to the minister to come down to Fredericton and see us. The only time he has ever visited us has been on the occasion of a general election, and he has always been too busy to do anything with respect to our experimental station.

Mr. GARDINER: While I have been in Fredericton, I have not been there since I have been Minister of Agriculture. Had I been there since I have been minister I certainly, even at election time, would have visited the farm.

In answer to the hon. gentleman's questions as to the activities of that farm, we have at the Fredericton station one of the best Percheron sires that we have in the service. We

are attempting to encourage the development of Percheron horses in that area. We also have a herd of Holstein cattle, which has been improved from time to time in the hope that we may be able to assist in the improvement of dairy herds in that section.

We are also carrying on active experiments in potato production, particularly the development of disease-resistant varieties of potatoes.

These are the chief activities, and there will not be any reduction made in any of them this year; in fact, they may be enlarged slightly. On the other hand there will be the necessity of cutting down in connection with horticulture at that point in order to maintain our financial position there relative to some other places.

So far as the building is concerned, I should have dealt with that last night when Doctor Swaine was here, but he will be here when we take up item 33, science service buildings. I can, however, say now with a little more confidence than at the beginning of the discussion this evening that the intention is to try to find sufficient funds in our votes this year to complete the closing-in of that building and getting it in shape where it can be of some use.

Mr. HANSON (York-Sunbury): Thank you. I also asked about the expenditure last year for the Fredericton station and the vote this year. I should like to have the information on record.

Mr. GARDINER: It was $52,325 last year, and this year it is $49,545, a slight reduction.

Mr. HANSON (York-Sunbury): Thank you.

Mr. GRAYDON: Have there been any notable developments in horticulture at the central experimental farm during the past year?

Mr. GARDINER: Some interesting experiments have been carried on this year, particularly developments in connection with vegetables and in the manner of using what would otherwise be wasted fruits. In that connection investigations relating to horticulture have been carried on, which are of considerable benefit to the industry in different parts of the country.

Mr. GRAYDON: Have there been any special developments in flower growing?

Mr. GARDINER: No, there has been nothing particular done in that regard this year.

Mr. WRIGHT: Have any experiments been carried on to determine the most economical size of farm in the west? Is it a half section, a section or two sections?

[Mr. Gardiner.]

Mr. GARDINER: I cannot say that experiments have been carried on, but a study has been made of that subject by the economics branch under Doctor Booth in order to try to determine what is the most economical unit both east and west. Of course, anyone farming in the west knows that a unit as applied to one area could not necessarily be applied to another area.

Mr. WRIGHT: What have been Doctor Booth's findings?

Mr. GARDINER: There are no definite findings that could be applied generally, but generally speaking the family sized farm in eastern Canada, particularly Ontario and Quebec, has been found to be about 100 acres. Some have more and some have less. In many parts of the west the family sized farm is half a section, and in some other parts three quarters of a section.

Mr. ROSS (Souris): Professor Hopkins carried on experiments to determine the economical unit. I have the data in my office, but speaking from recollection I think he found the two-section farm in the prairie provinces, with motorized equipment, to be the most economical unit.

Mr. GARDINER: I think his investigations were carried on to determine the relationship between certain sized farms and certain specialized machinery for the operation of farms. If you are going to operate a farm with a certain type and quantity of machinery, you require a certain size of farm in order to operate economically. If you put on a half-section farm the full line of equipment which you could use on a two-section farm, your overhead would probably be too high. It was that kind of investigation which was being made.

Mr. FAIR: In view of the fact that grain prices have been extremely low for the last ten years, is the central experimental farm at Ottawa or are any western experimental stations conducting an investigation into the average cost of raising wheat and other coarse grains at the present time?

Mr. GARDINER: Yes. Experiments are being carried on in the matter of cultivation. I remember that when I visited the Swift Current farm last summer, in going by the experimental plots I was told by Mr. Thompson, who is in charge of that farm, the results of the experiments which were being carried on in connection with different types of operations. The experiments there bore out, I believe, the experiences of most farmers in that section of the country. They indicated that certain types of machinery produce

better results than certain other types, and in some instances the less costly types produce the best results. That experiment has been going on for quite a number of years. It is sometimes difficult for those who are carrying on the experiments to prove their results in competition with high-powered salesmen who are selling other types of machinery.

Mr. NICHOLSON: I wonder whether in any of these experimental farms there are fields sufficiently large to enable a computation to be made of the cost of producing wheat on, say, a quarter-section?

Mr. GARDINER: The size of the farm at Indian Head is approximately 1,500 acres, and of the farm at Swift Current, about 2,000 acres, and of course it is possible to carry on experiments there as to the expense of operating, say, a quarter section of land. But that work is being handled in an experimental way. I doubt very much if one could take the information which is available and conclude that the same standards are applicable to an ordinary farm. I drive constantly past a rented farm which forms part of the Indian Head experimental farm. It was operated for many years by a man named Patterson; I do not know whether it was his original homestead, but he lived there as long as I can remember and many years before. I was acquainted with the area. For a number of years he has rented that property to the experimental farm and it has been run as a farm unit, but a great deal of experimental work has been carried on alongside the growing of grain crops and field silage.

Mr. NICHOLSON: Has the minister any information as to the cost of operating with a diesel caterpillar compared with a gasoline tractor?

Mr. GARDINER: The Swift Current farm has been specializing in costs of operating diesel and other tractors, as well as farm machinery generally. Pamphlets giving that information are published by the department and can be obtained by any hon. member.

Mr. FAIR: Did I understand the minister to say that Yorkshires are the only type of hogs being kept on the central experimental farm at the present time?

Mr. GARDINER: Yes.

Mr. FAIR: May I ask, then, what was the result of the experiments some time ago with Landrace hogs?

Mr. GARDINER: I believe that information will be found on *Hansard* in the morning. My hon. friend may not have been here, but I have already given it twice this evening.

Mr. BLACK (Cumberland): What progress has been made by the department in encouraging the raising of beef cattle in the maritime provinces? I understand that certain districts have been proposed for the raising of beef animals and that the department is offering some encouragement to those districts.

Mr. GARDINER: There is not a beef herd at the Amherst farm in Nova Scotia. The herd there is a dairy herd. The herd at Kentville is a general purpose herd, and cannot be called a beef herd; it consists of general purpose shorthorns, a milking strain. I cannot say that we are encouraging, with either of these herds, a straight beef type of cattle. But there have been some experiments carried on in feeding beef cattle at these farms. I have not before me information as to the results of these experiments, but it is in print and can be had by any hon. member who is interested.

Mr. BLACK (Cumberland): I understand that the department has made proposals to certain areas that they specialize in the raising of beef animals. Quite large districts in the maritime provinces are involved. I should like to know, if that is the case, what preparations have been or are to be made, how the work is being undertaken, whether by the department or through individual or community stock raisers, and what progress has been made.

Mr. GARDINER: A survey is being carried on in the maritime provinces to determine areas that may be suited to the production of beef cattle. That survey will be continued.

Mr. BLACK (Cumberland): No appropriation has been made?

Mr. GARDINER: No special appropriation, but the survey is being carried on along with the general activities of the department.

Mr. FAIR: I have been here since eight o'clock, and I should like to get back for just a moment to the hogs. Possibly we are in good company in that line. While the minister has already given two explanations, I have not been able to hear what those explanations were. I am waiting to see what *Hansard* says in the morning. Although the minister may have given a very short explanation, I believe some hon. members are quite interested in the experiments which are being carried on in connection with Landrace hogs.

Mr. GARDINER: I cannot of course guarantee that my hon. friend is going to hear me this time. I have already given a rather lengthy statement on the matter. The Landrace hogs were brought some years ago

from Sweden. Experiments were carried on with the breed for, I believe, about four years. Finally it was found that they displayed no sufficient advantages over the Yorkshire type, which had been fairly widely distributed over Canada, to warrant the department going further with the experiments and making an additional distribution of those hogs throughout the country. In other words, it was found that the Yorkshire is suiting the purpose in Canada so well that it would not be wise to confuse people by encouraging them to produce and maintain another variety.

Mr. FAIR: Thank you.

Mr. HATFIELD: I understood that some years ago all experiments were made at the Ottawa farm. That system was changed a few years ago, and at the present time experiments are made at various branch farms throughout Canada for the whole Dominion—on potatoes at Fredericton; on wheat, in the west; in respect of horticulture, on the Ontario branch farms. In view of that system, what is the reason for the increase in acreage of the central experimental farm?

Mr. GARDINER: As I stated a moment ago, special work is being carried on at Fredericton with regard to potatoes, but some intensive experimentation is being carried on at the central experimental farm in connection with all the different varieties of farm products. That is possibly on account of the fact that different kinds of farm products are produced in this section of the dominion.

Mr. DIEFENBAKER: A development in northern Saskatchewan which during recent years has been changing agricultural economy has been the phenomenal increase in the growth of alfalfa. Can the minister give us an idea of the experiments that are taking place in that direction and say whether a new hardy alfalfa seed is being developed and, further, whether any of the institutional farms are being used for experimental purposes in that regard?

Mr. GARDINER: The laboratory at Saskatoon has developed a new type of alfalfa which is suited to that section of the country, and up in the area near White Fox, and to the north of Nipawin, which is in the north-eastern section of Saskatchewan, there has developed in the last few years an industry associated with the growing of alfalfa seed, very much as in certain sections of the east development has taken place where the flax seed is grown even for use in Ireland. In the section to which I refer they are producing alfalfa seed which is being sold down through the American states to the south and in certain sections of western Canada and in the east as well.

Mr. FAIR: From time to time applications are invited for positions that become vacant at the central experimental farm. In the notices sent out certain minimum and maximum salaries are set out, and I have been informed that after applicants have been accepted they are not paid the minimum specified in the applications. I should like to know whether this report is correct, and, if so, why applicants are not paid the stated minimum.

Mr. GARDINER: I presume the reference is to part-time or temporary graduate employees who do come in at lower rates sometimes than those indicated in the civil service list, but anyone who applies in the usual course under the civil service commission for one of the permanent positions in the department is paid the minimum and maximum salary, starting with the minimum and gradually rising to the other.

Mr. FAIR: Has there been any dissatisfaction at the farm during the past twelve months or so in that regard?

Mr. GARDINER: There has been no dissatisfaction that has been sufficiently serious to have been brought to my attention. I cannot say that there is no one working for the department from one end of Canada to the other who is dissatisfied with his or her salary, but there has been no general dissatisfaction.

Mr. FAIR: I was referring only to the central experimental farm, and if the information is incorrect I shall be glad to be told so.

Mr. GARDINER: There may be some who are not satisfied; I am not in a position to say. There may be some who have accepted positions and who may have qualifications that would entitle them to a higher position, but they have applied for work and have been offered work at a certain rate of pay, and work which would properly pay the rate offered to them. They may not be satisfied; I do not know. If they are not, it is possible we could get someone else to take their place.

Mr. FAIR: The point is that the positions are advertised at certain minimum and maximum rates, and after the applicant has been appointed he receives less than the minimum specified.

Mr. GARDINER: I do not know of any such cases, but there may be some. You could not have a staff of the size of ours without having someone who would be dissatisfied with his salary.

Mr. FAIR: I am not discussing that at all. I am saying, the complaint is that the salary paid does not come up to the amount specified when the application is sent out.

Mr. GARDINER: We follow the civil service regulations strictly and everything has been done in accordance therewith.

Item agreed to.

Experimental farms service.

14. Branch farms and stations, and illustration stations, $1,309,276.

Mr. PERLEY: In this vote there is a considerable decrease amounting to about $185,000. I understood the minister to say earlier in the evening that certain of these substations might be closed. I trust that none in Saskatchewan will be closed. The main experimental farm in that province is at Indian Head. It is perhaps one of the finest farms of the kind in Canada. We have also five stations and one substation. I wish to pay my respects to the superintendent at Indian Head, Mr. Gibson. He is doing wonderful work. Hardly a day passes in the summer, in the months of June, July and August, when there is not a field day at that farm. Different societies go there and hold picnics, and the superintendent is doing invaluable work demonstrating what is going on at the farm. He should be complimented upon his patience. He helps a number of clubs and different organizations, and his work is highly commendable. The committee will be interested to know that we not only grow wheat in Saskatchewan but can grow the finest varieties of fruit. At page 82 of the report of the department there is this paragraph with regard to the experimental farm at Indian Head:

> Fruit trees came through with little injury. A heavy crop of bloom developed into an overabundant crop of fruit. . . . Some large apples and tender varieties of plums reached maturity.

I refer to this paragraph because, driving through the farm last fall, I noticed a heavy crop of apples on some trees and I was surprised to see apples on the ground. I inquired at the office and was told that they were not giving them away, and I am sure there were a good many people out there who would have been glad to gather up the apples under the trees. I mention this to show that we can grow apples in our part of the province. The minister might give us some information with regard to the experiments carried on there particularly with fruit.

We have a substation at Regina and I would ask the minister to indicate some of the results of the experiments there in connection with soil drifting. Would he make a statement as to the revenue derived from the five stations in that province? I understand there is grain sold and there must be considerable revenue from some of the stations.

I notice also in the reports of the experimental farms at Indian Head and Melfort that there has been a transfer of the herds; the Ayrshire herd was taken from Indian Head to Melfort and the shorthorn herd was taken from Melfort to Indian Head. What recommendation was made for this, and what is the advantage of the transfer? While I am all in favour of the shorthorn breed—it may be the best breed for Saskatchewan generally—I think the Ayrshire breed tends to encourage dairying, and possibly both breeds could be carried advantageously at the one station.

The minister made reference to the Patterson farm at Indian Head. I believe that farm was given to the department without rental on the understanding that the buildings would be kept in repair and the land not allowed to go back. I think reference should be made to the fact that Mr. Patterson gave the use of that farm as a contribution to agriculture in western Canada. A year or so ago he died and I believe the farm is now under a different arrangement, but I think Mr. Patterson's action should be commended and brought to the attention of western Canada, in giving for a number of years one of the finest sections of land in western Canada—there is hardly a foot of waste land on it—to the department for experimental purposes without rent.

Mr. GARDINER: I must correct the suggestion just made. Probably it was at one time the intention of Mr. Patterson to leave that farm to the government, but when he made his will he did not do so. The farm does not belong to the government, and will not unless the government buys it. We have paid rent for the farm and buildings ever since it was first turned over, a fairly good rent. It is not the intention of the government to rent that farm beyond this year. Mr. Patterson's first thought probably was that when he passed on, the farm might be turned over to the government, but that did not materialize.

Mr. PERLEY: I am sorry to hear that. The general impression in that part of the province was that he gave the use of the farm without rent. Of course I understood that when he passed on, some other arrangement would be made.

Mr. GARDINER: Regarding fruit growing, experiments are being carried on towards the development of varieties suitable to the west. That work is largely done at Morden, Manitoba, and has been going on for a number of years. Cross grafting of trees in order to produce hardy varieties is being done largely

there. Some varieties are transferred later to Indian Head for further development under conditions there.

As to giving away apples, there is difficulty about giving away anything from the experimental farms. There is not enough for the whole population, and if it is given to some people and not to others, there is trouble. These trees are there for experimental purposes. It is possible that some fruit is allowed to rot under the trees, but perhaps people in the locality do get some of it in spite of the fact that there is no general policy of giving it away. I understand that all sound fruit is gathered and sold.

Mr. RICKARD: What varieties are there?

Mr. GARDINER: They are not the usual varieties that one finds in eastern Canada. They are mostly hardy varieties brought from Russia and similar places, or hybrids of some kind.

Mr. STIRLING: Are farmers taking up the notion of growing apples there? Could the minister set at rest the suggestion that the garden of Eden was originally there?

Mr. GARDINER: Fruit trees are being grown on farms; some have very creditable orchards. That is particularly true I think in the Melfort and Tisdale regions, which are much further north than Indian Head but seem to be better suited to the growing of fruit trees. I think, however, most people who try to grow fruit trees in western Canada find that—

Mr. STIRLING: That it is difficult.

Mr. GARDINER: Well, it is an interesting pastime, but I do not think you can grow fruit cheaper there than it can be imported from somewhere else.

Mr. PERLEY: They have discovered that the flavour of apples grown there is much better than that of those grown in the Okanagan valley.

Mr. HANSELL: I have been looking at pages 65 and 66 of the estimates for some information on this item but do not find what I am after. When driving along the roads out west I have noticed farms with signs on the fences indicating that they are experimental stations of some kind. On making inquiry I have not been able to satisfy myself entirely as to what these places are. I know they are not government-owned stations because in some instances I knew the man who owned the farm. But just how he operates it, and what use it is to the Department of Agriculture or to the country, I have not been able to learn. Would the minister tell us about these stations?

[Mr. Gardiner.]

Mr. GARDINER: There are illustration stations across Canada, 171 of them all told at present. These stations are set up on a similar basis in the different parts of Canada. A certain part of a farm is rented; the farmer does the work; the seed is supplied by the government; it is seeded under direction of the experimental farms, and records are kept as to the results. The farmer has all the product from the plot, but the neighbours in the vicinity have the advantage of seeing the experiments carried on and the results.

Mr. HANSELL: The strange thing I found as I made inquiry about these stations is that the people living in the communities do not seem to know much about them. I have heard such remarks as this—although I feel that the remark is not true—"Well, it may be a good Liberal station", the inference being that there may be patronage of some sort. I say I do not believe that is true, because I know one or two of these stations in or near my own constituency that are operated by men who I am certain are not Liberals. As a matter of fact, one of them is—

An hon. MEMBER: Be careful.

Mr. HANSELL: I hope the gentleman to whom I refer will not lose his job now.

An hon. MEMBER: You may lose his support.

Mr. HANSELL: No, the gentleman to whom I have reference is a very strong supporter of the Cooperative Commonwealth Federation party. What remuneration is paid the men who work these plots of land?

Mr. GARDINER: There is no wage at all. They are paid $1 an acre and, as I said before, they get the results of their labour on that acre just as they do in connection with any other acre of the farm.

With regard to the other point, as to whether the neighbours are made acquainted with what is going on, there is at least one field day held on each of these plots, and on many of them there are two field days. The average attendance at these field days runs from one hundred to five hundred, so quite a number of people do take advantage of the fact that these stations are there. With regard to the political stripe of the people who operate them, I think there are some good farmers who are not Liberals.

Mr. HANSELL: How far are the stations apart, or how are certain locations chosen?

Mr. GARDINER: They are about fifty to seventy-five miles apart, as a rule, in certain areas; but with only 171 of them scattered

over Canada it would not be possible to have them every seventy-five or even one hundred miles.

Mr. TUCKER: I should like to make a few remarks with regard to something that is regarded as almost a tragedy in the constituency I have the honour to represent in this house, something which is regarded as quite a setback to agriculture in a large part of northern Saskatchewan. I am informed that it is proposed to close the long established experimental station at Rosthern. This station was opened in 1909 by the government of Sir Wilfrid Laurier. It is situated in the centre of one of the finest farming districts in Saskatchewan. Doctor Seagar Wheeler lives within about five miles of that station, and it will be remembered that Doctor Wheeler was three times wheat king of the world, something never accomplished by any other person. As a matter of fact, since that station has been in operation, it has had a tremendous influence in the district which it serves, which includes not only the constituency of Rosthern but also North Battleford, The Battlefords and the territory tributary to Saskatoon, together with a great part of the constituency of Prince Albert, which is represented in this house by the Prime Minister. This district is settled to a large extent by people from continental Europe, and the service performed by that station in teaching these people the best methods of Canadian farming can never be measured by officials here in Ottawa.

I am told that certain experiments which have been carried on in the past have been brought to a conclusion, and that therefore there is no further reason for keeping open that station. I think everyone in this committee will agree that where experimental stations fall down is in not getting the benefit of their experiments across to the people, rather than in the experiments that are carried on. It would be better to get half the information obtained across to the people at large than to carry on experiments twice as important and get very little across to the people.

So, Mr. Chairman, when you have a long established experimental station in the middle of a district which needs and uses the advice and assistance of the officials of that station, it seems to me a retrograde and terrible step for any government to close that station just for the sake of saving $10,000 or less. The station has been in existence for thirty-one years, and each year more and more people come to it to get advice, particularly as to the best methods of improving their live stock. I live within a mile of the Rosthern station, and each year I have seen more and more people going there to get advice and assistance with regard to improving their farming methods. In that district there has been a tendency to change from grain farming to mixed farming, and the officials have given most valuable advice to the farmers with regard to that trend. For instance, recently a brooder house was set up to show how, at small expense, pigs could be farrowed in the height of winter without risk, in order that they might be marketed to greater advantage. I venture to say that since that building has been established, at least a thousand farmers have visited and examined it, and who can say in dollars and cents what value that has been to the whole district?

I look at the estimates and find an item of some $598,000 for the central experimental farm at Ottawa. When I compare that sum with the small amount that would keep the Rosthern station open; when I consider that almost as many real farmers visit the Rosthern station as probably visit the Ottawa experimental farm, I cannot keep silent in this committee. We have a deputy minister in another department which I will not mention now, drawing $10,000 a year and doing no work to speak of at all. When I think of that and realize that in order to save this amount of money we are closing a station serving hundreds of farmers in a large section of a great province such as Saskatchewan, a station that gives work to perhaps thirty people who need it badly, looking after the shrubs, gardens and so on, people who make perhaps $200 during the summer by hard work; when I see them about to be thrown out of work and remember a deputy minister in one of our government departments as already indicated, getting the salary I mentioned, I cannot keep silent in this committee. I must rise and say that I do not approve any such policy. That station has been teaching good Canadian farming methods to hundreds of farmers, who have come from Prince Albert, from North Battleford, from Melfort and from over a hundred miles around, in order to get the benefit of the advice of the officials stationed there. Year after year they receive the advantage of the experiments carried on at that station; it is doing better and better work in that way all the time, and I am informed that on a bare carrying basis, taking into account the revenue obtained, that station probably could be operated for less than $10,000 a year.

Then there is the question of foundation live stock. There has been built up on that farm probably one of the finest herds of Holstein cattle in Canada. There has been built up also a fine herd of Yorkshire hogs. I have seen people come there from all over

northern Saskatchewan to buy animals as foundation live stock for their herds. Is anyone going to say that the maintenance of a herd which makes available the best foundation live stock that can be procured in Saskatchewan is not worth $10,000? The men who will be thrown out of work are older men with families. They could not make a better contribution to the winning of this war than by assisting our farmers in producing the very best live stock and learning the best farming methods. I heard the Minister of Finance (Mr. Ralston) make his budget speech. Our effort should be to place our economic machinery, including our people, to the best possible use. Money should not be the determining factor. Are we increasing the efficiency of the people of western Canada by closing a station which has given leadership and provided advice and instruction to a whole section of Saskatchewan? Are we helping to strengthen Canada by closing that station?

Those hon. members who have visited the prairie west know something of the homes which have been established there. The tendency has been to tell the people that because they are going to bring up their families in that part of the country, because their children will first come in contact with the world there, they should try to improve their home conditions and make them more congenial. There has been a real campaign to urge people to plant trees, particularly fruit trees to provide a certain amount of fruit for their families and make real homes for themselves. At times there has been a tendency to scoff at what can be done in connection with the growing of fruit in Saskatchewan.

Just a year ago I visited the farm of Doctor Seager Wheeler where there are fifty acres under fruit. There is a splendid fruit orchard at that experimental station. I have seen literally tons of fine plums, crabapples and cherries which could not be disposed of in those orchards. People go to that experimental station and they are told what fruit trees will be suitable to their locality. There is a horticultural branch of the experimental station at Morden, but I am told that things can be grown there which cannot be grown in any other part of western Canada. I am told also that anything that will grow at Rosthern will grow in almost every part of the west. There is nothing more discouraging to people who may not have much in the way of funds than to spend money on fruit trees and have them die the first winter. They soon give up the idea of trying to go into fruit. Different trees are tested at the Rosthern station and information is available as to what trees are suitable to the different localities. People obtain this information and then go home and establish orchards. To-day we see farm after farm with nice orchards, all of which tends to make these people feel more at home in the place where they may have to spend the rest of their lives.

Is any official at Ottawa going to tell me that a work which helps to make real homes for hundreds of people in western Canada is not worth $10,000? I hope the committee will pardon me for speaking perhaps too feelingly in the matter, but I cannot help doing so when I think that some official in the Department of Agriculture is advising that this wonderful work for our people should be discontinued in order to save $10,000 or perhaps even $14,000 or $15,000. Any hon. member who had at heart the interest of his constituents would not fail to raise his voice with some feeling.

Year after year field days are held at that experimental station and these are attended by hundreds of people. The minister of agriculture for Saskatchewan, one of the outstanding agriculturists in this dominion, attended and gave a fine and instructive address at the last one. This is the only place in that district where an affair of this kind can so advantageously be held. Hundreds of people have benefited by visiting that farm. They come from as far away as 150 miles and obtain the very best ideas for improving their live stock and receive the latest information as to what fruit trees will be suitable to their farms. Not only do the people in the immediate neighbourhood appreciate the work being done on that farm; it is appreciated by people all through northern Saskatchewan. I have a letter here from the Prince Albert board of trade, a city which is represented in this house by the Prime Minister. I do not want to weary the committee, but I want to do everything in my power to plead with this government not to make the mistake which I think they will be making if they close that farm. This letter is dated June 5, 1940. Hon. members will note it is from the Prince Albert board of trade, not the Rosthern board of trade. It reads in part:

> In our opinion it would be a tremendous mistake, as the present staff enjoys the confidence of all the people in this part of the province and they are doing a most valuable work. While the difference between the cost of operation and the revenues received does not involve a very large amount of money, in the alternative, but we very much prefer the first suggestion, it could be carried on in a modified form during the war and then put back on its present status.
>
> We feel it would be preferable to shut down another station not as highly developed and retain Rosthern.

We have asked Mr. King to make the strongest representations possible on our behalf.

I do not think I am breaking any confidences by reading that last paragraph. That is the attitude of the Prince Albert board of trade. I should like to read a telegram, dated June 14, which I received from the same organization. It reads:

Understand definite word has been received to close Rosthern experimental station. People here anxious to have same retained if at all possible. Could you give us any lead which would assist to bring this about. Wire reply.

I come now to Saskatoon, which is to the south of Rosthern. This constituency was formerly represented in the house by the late Doctor Young. I shall read just a paragraph from a letter received from the Saskatoon board of trade, under date of June 5, 1940, as follows:

The Saskatoon board is well acquainted with the many strenuous duties the government must undertake in these days of conflict, but we feel that if it is at all possible, the services of this station should be maintained for the province of Saskatchewan. The station has been of real service to agricultural interests of the whole province, particularly the northern section.

We assure you the Saskatoon board of trade will support any move which will keep this experimental station in operation.

I have another letter here from a member of the legislature for Prince Albert city. He says:

I wish to point out that this is one of the oldest experimental stations in the province of Saskatchewan and in years gone by has given most valuable service to the agricultural districts in this part of the province and if it is discontinued at this time the loss from an agricultural point of view will be serious.

The dominion government has a large investment there at the present time which has been built up over a great number of years and to allow that investment to simply disappear at the present time will undoubtedly mean a setback to agricultural educational activities in this part of the province, and in view of the serious times which agriculture has had to contend with during the last decade it seems to me absolutely imperative that this station should be kept in operation even if only on a restricted basis in view of present difficulties in financing Canada's war-time economy.

I have letters here from the Prince Albert Horticultural society commending the splendid work which that farm is doing in horticulture. This is not from the Rosthern district but from the Prince Albert district—sixty miles away. Is it not likely that the people out there would know more about the good effect of the work done than some officials at Ottawa?

I have a letter from the Prince Albert Agricultural society pointing out the good work that has been done at Rosthern in providing foundation live stock to all parts of northern Saskatchewan. I shall not weary the committee by reading it because I appreciate vey much the sympathy which has already been extended in giving me time to read as much as I have done. I should like, however, to read a sentence or two from a letter from a member of the legislature from Saskatoon city. He says:

However, I believe it would be a very serious move for the government to make unless it is an absolute necessity.

I know you will do your utmost to do whatever is in the best interests of Canada and, in my opinion, the Rosthern experimental farm should be kept open. I am simply writing you to tell you that you have my full support.

I have letters and resolutions from pool organizations and other organizations within a radius of practically one hundred miles of the Rosthern experimental station, urging me and begging me to do something to see to it that this facility which has been given to our hard-pressed farmers of western Canada is not withdrawn—a station that was established there for the service of thousands of our farmers by our late great leader Sir Wilfrid Laurier. If it is so necessary to save money, they suggest that the Rosthern station be put on a subsistence basis, because the income is quite substantial, and that it be carried on upon that basis until after the war.

There is an investment there of over $119,000, and I understand it is proposed, Mr. Chairman, to sell that farm and auction off the stock that is on it. Some of the cattle there are of such a high quality that if they get into the hands of people who are not fully qualified to look after them and make the best use of them for breeding purposes, they will be of very little use to the community as a whole. At the station they are used to provide foundation live stock to supply that whole area to the best advantage. Here we have an investment of $119,000 which it is proposed to wipe out, to do away with all the advantages which that farm gives to the people of northern Saskatchewan, when it is suggested by people in whom I can have confidence that, if it is absolutely necessary, by cutting down on expenditures that are not absolutely essential, the farm could be carried on at a net expenditure of between $5,000 and $10,000. When I see how much money is voted to beautify the city of Ottawa, hundreds of thousands of dollars, and read the other items in the estimates, and then see that in order to save money it is proposed to wipe out the one thing of real value to our farmers, that has been given to the district which I have the honour to represent, on the say-so of some people in Ottawa that that farm is no longer serving a useful purpose, I must rise in my

place in this house and urge and beg the Minister of Agriculture to reconsider the closing of that farm.

Mr. NICHOLSON: I notice in the minister's report on the work of the experimental farm at Melfort, Saskatchewan, mention is made of considerable experimental work done in connection with the sugar beet industry. Can the minister tell us what success there has been in that particular field, where the seed is procured, and whether we are developing in Saskatchewan sugar beets suitable for making refined sugar?

Mr. HANSON (York-Sunbury): Before the minister answers that question, surely he will have something to say to the hon. member for Rosthern (Mr. Tucker) who has just spoken. I have no information at all with regard to the merits of closing that farm, but I have a good deal of sympathy for the case which the hon. member has made. In the course of his remarks he made some serious reflections upon the deputy minister of agriculture and some of the higher officials of the department, and it seems to me—and I offer this with the utmost good-will—that the minister just cannot sit silent.

Mr. GARDINER: I had no intention of doing so. There may be five other speeches to make after I have the floor.

Mr. HANSON (York-Sunbury): The minister will excuse me. I apologize for being a little premature. I thought he was not going to reply. Certainly we cannot let this item pass without the minister making some defence of his own officials who cannot be here to speak for themselves.

Mr. GARDINER: Another member over there rose to ask a question.

Mr. HANSON (York-Sunbury): The minister did not rise.

Mr. GARDINER: I had not the opportunity. The hon. gentleman over there had the floor.

Mr. HANSON (York-Sunbury): I am sorry; I did not see him.

Mr. GARDINER: To answer first the question that has just been asked, experiments are being carried on by all our farms having to do with sugar beets, the reason being that we are attempting to get records of the production and sugar content of sugar beets being raised in different sections where we operate farms. Experiments are being made at Melfort in common with our other farms that are operating.

To come down to the question that has been raised by the hon. member for Rosthern (Mr. Tucker), it will be noticed that this item has been reduced by $185,000. The Rosthern farm is not the only farm that is being closed.

Mr. BROOKS: I was going to ask the minister if he would tell us how many farms in each province have been closed.

Mr. GARDINER: There are none closed to date.

Mr. BROOKS: Or are proposed to be closed.

Mr. GARDINER: Take the farm at St. Joachim. The expenditure there last year was $6,000. This year we are cutting that down to $5,125, with the intention of closing the farm. At the Cap Rouge farm we spent last year $27,851, and we are spending this year $10,564, with the intention of closing it.

Mr. BROOKS: Where is that?

Mr. GARDINER: In Quebec. At the Farnham farm last year we spent $20,502, and this year we propose to spend $8,122, with the intention of closing the farm at the end of the season. The Rosthern farm has not been run for $10,000.

Mr. HANSON (York-Sunbury): He said net.

Mr. GARDINER: It cost $27,812 last year.

Mr. TUCKER: What were the revenues there?

Mr. GARDINER: The revenue was $4,323, leaving a net cost of $23,000.

Mr. TUCKER: Does that include the cost of the construction of the conservatory, and the new piggery? They cost about $12,000, I believe.

Mr. GARDINER: No, I understand it does not include the cost of buildings. At Windermere farm we spent $14,518 last year; we are spending $6,926 this year, with the intention of closing it. We expect to save $9,000 by closing the farm at Tranquille.

Those are the six farms, and there are nineteen demonstration stations which are being closed in the different provinces across Canada. By this means we reduce the expenditure this year by $185,430.

This is not the first time the department has indicated a desire to close the Rosthern farm, and at least some others which I have mentioned. It has been for some time the opinion of the department that the usefulness of the work which was started many years ago at some of those places has ceased. Certain work was done in those areas to demonstrate what could be accomplished under the soil conditions existing there, and the

department believe they have carried on those experiments for a sufficient length of time to demonstrate what they had in mind to demonstrate.

There were other reasons why it was decided that the Rosthern farm should be closed with a view of reducing the expenditure on experimental farms. But I wish to emphasize that, had the department and their officials had their way, those farms would have been closed sooner or later irrespective of the war; and since there is a war on, and it was necessary to keep down expenditures this year in connection with experimental work, it was thought that any reductions should be made at places where, in the opinion of the department, work should be discontinued in any event.

A special reason why it was thought wise to choose the Rosthern farm as an object of reduced expenditure is that it operates a comparatively short distance from Saskatoon. At Saskatoon we have a forestry farm which is developing trees suitable for the northern section of Saskatchewan. Also at Saskatoon is an agricultural college of the provincial government, associated with the university of Saskatchewan. If I remember rightly, that farm contains 1,600 acres of land, or ten quarter-sections. Much of the experimental work, particularly with forage crops, which was being carried on at Rosthern is now being done on the Saskatoon farm. Therefore it was not considered necessary to continue that work at Rosthern and it has been discontinued there for some considerable time. The work which has been conducted there for the last number of years has had to do with the development of live stock for that area, and the breeding of hardy fruits has been experimented with during the last two or three years.

In view of this experimental work which is being carried on at Saskatoon by the province, and at the forestry farm at Saskatoon; in view of the further fact that we have one experimental farm at Melfort, to the east of Rosthern, and another one at Scott, to the west of Rosthern—

Mr. ROWE: How many in the province?

Mr. GARDINER: There are five in the province—we decided that the Rosthern farm should be closed at the end of the present year. Some representations have been received as to other uses which might be made of the farm either by the province or by groups of people in that section, but I do not think I am in a position to discuss these representations with the committee at the present time. It may be sufficient to say that the suggestions have to do with ways and means of utilizing the farm with the aid of expenditures to be made from elsewhere. But those discussions have not gone sufficiently far to warrant me in saying that the proposals will materialize.

With regard to the officials I would only say this, that I do not believe there is any man working in connection with agriculture anywhere in Canada who spends longer hours and gives more conscientiously of his time to the work than the present deputy minister of the department. I have had reason during the last five years to know the time that he gives to it and his ability to be the chief administrative official of the department. The entire speech of the hon. member for Rosthern has been the finest eulogy of the officials of the Department of Agriculture to which I have listened in this chamber. If those officials were giving a service which was so well thought of and which could be appropriately described in the terms used this evening by the hon. member for Rosthern, then those officials must have ability second to none among the people who are interested in the promotion of agriculture in this country. That is one of the reasons why, when a question was asked on the administrative item as to whether it would not be well to close those farms and operate them merely as crop-producing units for the purpose of indicating whether a farm could be run as a paying proposition, I preferred to leave the discussion until this point, because I was quite certain that, when I would intimate to this committee that we were going to close some of those farms, there would be many who would be prepared to rise in their places and say that those experimental farms had done real service in every section of Canada, and that if we attempted to close down any one of them and utilize it merely to demonstrate whether money could be made at farming, we would soon find from all corners of the chamber the most decided opposition to that procedure.

I want to say again that the speech delivered this evening by the hon. member for Rosthern demonstrates that the departmental officials are doing a good job and that the people in the areas where those farms are operating realize that they give valuable service. I am sorry that the time has come when we believe it necessary as well as advisable to close them in the interests of future experimental work in this country. I am pleased that it is possible to do so at a time when certain sums of money, totalling $185,000, can thereby be released for expenditure on the war services of the country.

Mr. ROWE: Did the minister state how many farms and stations were being closed?

Mr. GARDINER: Six farms and nineteen illustration stations.

Mr. HANSON (York-Sunbury): Is there no protest from Quebec?

Mr. GARDINER: Not up to the moment.

Mr. TUCKER: I do not want to take up too much time, but I should like to ask the minister if he does not think that, by transferring elsewhere the higher-paid officials, or some of them, and carrying on that farm on a subsistence basis, it would be possible to operate it with a net expenditure of about $9,000 at the outside over and above receipts?

Mr. GARDINER: We are carrying it on this year at an expenditure of $8,000, but we are not doing real experimental work on the farm. If we carried it out merely on a maintenance basis, we would not be doing anything that any other farmer in the community is not doing. The farm of Seager Wheeler, which is across the road and to which the hon. member has referred, has been operated for many years by Seager Wheeler, and some of the most important experimental work carried on in the west has been done by him on his own farm. It is true that for a few years the department employed him. We gave him an honorarium of $1,500 a year over a period of years until he reached the age of seventy, and by means of that honorarium he carried on much experimental work in connection with fruit. In addition he was responsible for the production and propagation of some of the best strains of wheat we have had in the west.

Mr. DIEFENBAKER: When was the allowance discontinued?

Mr. GARDINER: About two years ago.

Mr. ROSS (Souris): I do not know anything about the merits or demerits of the Rosthern farm. The hon. member representing that district put up a battle in defence of the farm, but he said something with reference to the officials of the department of the sort that I have listened to from several members on various occasions. It is something that does not appeal to me as a new member. It strikes me that a public servant who cannot rise and defend himself should not be so criticized unless there is great justification. I have been intensely interested in agriculture for many years, and I know, from personal contact with the deputy minister of agriculture and the director of experimental farms for Canada, that in these gentlemen we have two of the most efficient public servants in the country, men who give long hours of work and are quite efficient in the discharge of their duties. It is not becoming for members to cast reflections upon either of these public servants, as has been done this evening—and I have heard the same thing on other occasions from other hon. members with regard to different departments. Such criticism should not be made without proper justification. I wish to pay a tribute to the fine work rendered the country under two different governments by the deputy minister of agriculture and the director of experimental farms. I have known of new offices created in the last few months in connection with which salary and living allowance were much higher than either of these public servants receives, and I doubt very much whether the men appointed to those offices will render one-quarter of the service that these men are giving the country. I want to compliment them upon the splendid work they have done.

Mr. TUCKER: The hon. member has raised a point that has been rather disturbing to me. It seems to me that we are getting away from parliamentary government and moving towards bureaucracy. If members of the civil service make recommendations or say something about somebody or suggest that something should be done and a member of the house ventures to disagree with him, that member is supposed to be casting reflections upon him. I do not cast reflections upon anyone, but when I am elected by the people I have as much right to have an opinion as to what is best for the country as civil servants have. I think it is time we began to see where we are drifting in this matter. If the members of this house feel that an expenditure on a subsistence basis of nine or ten thousand dollars can carry the Rosthern farm, in order to have it expanded again when financial conditions are better, and the department says "No, in our opinion, it should be closed," what happens? I leave it to the hon. members here. But we are the ones that are answerable to the people; we are the ones elected to run the country. But who is tending more and more to run it?

Mr. HANSON (York-Sunbury): The government.

Mr. TUCKER: The leader of the opposition says, "the government." I know that a busy minister is in such a position that he cannot look into all the details of his department. The civil servant responsible makes a recommendation to him. He may make that recommendation with the most honest intention, but he may be mistaken, he may be misinformed, just as members may be mistaken at times. It is our duty in such a case to rise in our places and bring the matter to

the attention of parliament itself. If it is coming to the stage where a member cannot do that without being accused of criticizing, casting reflections, and so on, what is to become of parliamentary government? Almost every day, I talk with various members and they say they do not know what is going on. The departments are so busy that the ministers do not know what is going on. Civil servants may think they are right. Doubtless they think members of parliament are just a nuisance; nevertheless we are supposed to have democratic parliamentary government in this country. In what I said, and in quoting the opinion of people right on the ground, I have been trying to show that in this case officials may have made a mistake, so far as agriculture in northern Saskatchewan is concerned. I admit I may be wrong, but it was my duty to bring this matter to the attention of the committee. At any rate, I wish to thank hon. members for the sympathetic hearing they have given me, right or wrong.

Mr. GARDINER: I do not want to block my own estimates, but there is one point I should clear up. I knew all about this item when the decision was made to cut it out, and I examined into all the farms before any of them were cut out. I take full responsibility for all the reductions which I have recommended to the house and full responsibility for all the increases, and I think the officials of the department will agree with me when I say that I personally put up all the arguments to the officials against closing Rosthern and some of the other farms that have been mentioned on the floor to-night. But I was convinced by information placed before me that this farm eventually ought to be closed. I was convinced that Windermere farm eventually ought to be closed, and that the others I have spoken of ought to be closed some time in the very near future; and having been thus convinced, I came to the conclusion that the proper time to make the recommendation was now when we need the money for other purposes.

I do not want any hon. member to have the idea that this is merely a recommendation of officials of the department. The initial suggestion of reduction was my recommendation, coming not from officials at all, but from the government of Canada through the treasury board of which I am a member. It was suggested that the regular estimates of my department were to be cut down by at least $2,000,000, and in order to make up that $2,000,000 we had to do certain things. One of the things we decided to do was to reduce now what we intended to do sooner or later in any case, namely, by closing down some of the experimental farms. I was responsible for pressing reductions on the officials. They are responsible for recommending to me the selections and giving reasons as to why the particular farms which have been closed should be closed. But I finally made the decision and I take all responsibility for it.

Mr. BLACK (Cumberland): Have any farms or illustration stations been opened in the last five years?

Mr. GARDINER: I have not the exact number, but very few have been opened within the last five years; two substations, one in British Columbia and one in Quebec, I understand.

Mr. CASTLEDEN: What is the number of dominion experimental farms throughout Canada, and their distribution by provinces?

Mr. GARDINER: There are twenty-six main farms.

Mr. CASTLEDEN: How many in Quebec?

Mr. GARDINER: There will be four left in Quebec; three are being closed there. In Ontario there are two.

Mr. CASTLEDEN: Which ones are being left in Quebec?

Mr. GARDINER: Sainte Anne de la Pocatière, Lennoxville, L'Assomption, Normandin and a small substation.

Mr. CASTLEDEN: Is there one in Hull?

Mr. GARDINER: No, not in Hull. We have a laboratory over there.

Mr. CASTLEDEN: That is part of the central experimental farm, is it? Just a laboratory?

Mr. GARDINER: That is right.

Mr. NICHOLSON: The minister answered part of my question in regard to experimental work with sugar beets, but I did not hear him reply to the question whether sugar beets produced in Saskatchewan are satisfactory for the refining of sugar, and whether seed is being produced.

Mr. GARDINER: Yes, the sugar beet produced in Saskatchewan has a good percentage of sugar. In dry years the yield per acre is light; that is the chief drawback.

Mr. NICHOLSON: Where is the seed procured?

Mr. GARDINER: The seed has all been imported in the past, but provision has been made under the agricultural supplies board to get seed from available sources of supply.

Mr. COLDWELL: To what extent can this industry be expanded in Canada?

Mr. GARDINER: In eastern Canada it can probably be expanded. In western Canada the extent to which it can be expanded is limited by the consumption of beet sugar in that section of Canada. That is to say, sugar produced from beets in western Canada cannot economically be shipped out of western Canada. The only reason why they can be produced there notwithstanding the higher cost of production is the cost of freighting sugar in, sugar being a fairly heavy commodity. The last figures I recall, which may not be correct now, were that you could produce a ton of sugar beets in certain sections of Ontario for at least a dollar a ton less than in some sections of western Canada. Their production under irrigation in western Canada is possible because of the fact that it would cost too much to ship sugar out from the east.

Mr. COLDWELL: The point of my question was rather different. I was thinking of the possible necessity in the future of shifting the emphasis from one kind of crop to another, and I wondered how much room there is for the expansion of the sugar beet industry in Canada, that is, what proportion of our sugar consumption is produced from beets in Canada at the present time?

Mr. GARDINER: The whole question of tariffs and all that is involved. I should not like to state the extent to which you could increase the production of sugar in Canada.

Mr. COLDWELL: What percentage of our sugar consumption do we produce?

Mr. GARDINER: About fifteen per cent of our requirements.

If there are more questions I shall have to ask that this item stand.

Item stands.

DEPARTMENT OF PUBLIC WORKS

281. Departmental administration, $190,415.

Mr. HANSON (York-Sunbury): I see the staff is practically the same as it was before. Having regard to the fact that public works have been stopped, is there no opportunity to save some money here? I understand that the Department of Munitions and Supply has brought in quite a number of people from outside in connection with buildings being erected for war purposes in various parts of the country. Is any use being made of the departmental architects, engineers and other officials, or are we hiring people outside and charging their salaries under war appropriation, while our own officials, who are, I think, quite competent, are not being used?

Hon. P. J. A. CARDIN (Minister of Public Works): This item covers the expenditures of what may be called the main office. It provides more particularly for the minister's branch, the branch of the deputy minister and the assistant deputy minister, the secretary of the department, the purchasing agent and the private secretary's office. The number of employees under that vote is about the same as last year. There is no very great reduction in the estimate as far as employees are concerned. At present the employees of the department are well occupied because closing the contracts and completing the work started during last year and early this year require the work of a number of employees to ascertain to what extent the work had been done and to gather the information necessary to close out the contracts. Our people will be occupied in that work for a few months. Afterwards it may be that we could release their services to other departments. Although the Department of Public Works is not doing very much on its own account, we are doing certain works out of moneys transferred to us by the Department of National Defence, for example, and the Department of Trade and Commerce.

The research building was erected by the Public Works department out of moneys transferred from the Department of Trade and Commerce.

A committee has been set up, as the leader of the opposition knows, with the object of transferring to the new departments such officers and employees as have not sufficient work in their own departments, but so far as the Department of Public Works is concerned, few transfers have been made because up to the present we have required the services of our employees to complete and close out the contracts already undertaken. Practically all our officers and employees will be busy until the contracts are definitely closed.

Mr. HANSON (York-Sunbury): Does that apply also to the engineers in the outside service? Nothing is being done now at the Halifax agency, for example, with the exception of repairs and that sort of thing. I do not think there are any big contracts under way there. Why could not some of those engineers be used? The point I wish to make is that here is a real chance for the government to exercise some economy. Two months of the fiscal year have gone by. Some time ago word came from the Minister of Finance to cut down these expenditures. I am serious about this; I am not asking these questions

just for fun. I suggest to this house and this committee that if this war is going on for a long period of time, as it may; if this country is going to be asked to vote huge sums of money for our war effort and to undergo such strenuous taxation as was indicated by the Minister of Finance, then this government and the Department of Public Works—which I mention because it is the one immediately under review—must cut down these services to the bare bone.

Not only that, Mr. Chairman; the government itself must go to work and cut down other services I could mention. What will the people of this country think when forty or fifty people will be taxed under this budget and bring in only enough to pay the salary of Mr. Brockington, $9,000 a year plus $12 a day allowance for living expenses, to write the Prime Minister's broadcasts and speeches? That is his main job. I wonder what the people of Canada are thinking about when they tolerate that sort of thing; yet we are being taxed to the limit for our war effort.

These things must stop, and I serve notice upon the ministry now that I intend to scrutinize every one of these items. I have nothing against Mr. Brockington. He is a very able man. I have heard his speeches over the radio, and his English is magnificent. But we can save that $9,000 salary and $12 per day living allowance. Why, his expenses alone constitute a good sized salary for any man. I am not objecting to Mr. Brockington; I am objecting to the government making that sort of expenditure to-day.

An hon. MEMBER: What about the leader of the opposition?

Mr. HANSON (York-Sunbury): Well, I think if you worked as hard as I do you would think you earned your salary.

An hon. MEMBER: You get $12,000 a year.

Mr. HANSON (York-Sunbury): I have not got it yet. I hope I will earn it. In any case, the salary of the leader of the opposition was fixed by statute after the most careful consideration, and it has been agreed to by both parties. But nobody was ever consulted when it was decided to set up a public relations officer, or whatever it may be, and pay him $9,000 a year. I should like to know out of what vote that salary is being paid.

Mr. CRERAR: Not out of this one, anyway.

Mr. HANSON (York-Sunbury): I am sure it is not, but I am taking this opportunity to serve notice—and I think I am justified in doing so—that expenditures of this sort will be questioned in this house, and justifiably so. I am sure in his heart the minister will agree with me.

Mr. CARDIN: I feel that the Department of Public Works cannot accept the criticism of the leader of the opposition and cannot agree to the idea that we are not doing everything we can to reduce expenditures. If hon. members will look at the estimates for this year they will see that my department has submitted itself to a very substantial reduction. If they compare the figures for this year with those for last year, they will see that the decrease amounts to about $17,000,000.

Mr. HANSON (York-Sunbury): I quite agree.

Mr. CARDIN: That is a good reduction, and I think I deserve the commendation of the leader of the opposition for having submitted myself to such a reduction.

Mr. HANSON (York-Sunbury): I am going to give you that when the time comes.

Mr. CARDIN: All possible reductions are being made, but we must retain the services of our employees and officers to protect the properties in our charge. Numerous repairs must be made to wharves and buildings all over the country, and we need our officers to look after these. We are not doing any new work, but as I explained a moment ago we need the services of these officials to gather all the information necessary to close out the contracts, pay the compensation which may be due the contractors and pay for the material already on the sites, although it may not have been used. All this takes time, and we must gather all this information before we make settlements and definitely close the contracts. As far as the Halifax office is concerned, that may be discussed under another item. As I have stated, the item under consideration covers only what we may call the central office at Ottawa.

Mr. HANSON (York-Sunbury): I understand that.

The CHAIRMAN: Shall the item carry?

Mr. HANSON (York-Sunbury): No.

Mr. CRERAR: I should like this item to stand and to call an item under the Department of Fisheries.

Mr. HANSON (York-Sunbury): It is eleven o'clock. I think you have done very well to-night.

DEPARTMENT OF FISHERIES

77. Departmental administration, $129,300.

The CHAIRMAN: Shall the item carry?

Mr. HANSON (York-Sunbury): No, not by any means.

The CHAIRMAN: Shall I report progress?

Mr. HANSON (York-Sunbury): Before that is done, I should like to say to the minister that when his estimates are taken up I will expect him to give the committee a full explanation of the recent changes in his department and the occasion therefor. I shall not mention the other things I have in store for him.

Item stands.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Wednesday, June 26, 1940

The house met at three o'clock.

HOUSE OF COMMONS

APPROVAL OF RECOMMENDATIONS OF CIVIL SERVICE COMMISSION RESPECTING CERTAIN EMPLOYEES

Mr. SPEAKER: I have the honour to lay on the table of the house a report of the civil service commission recommending the appointment of Miss Gladys Northcott as clerk, grade 4, in the law branch of the House of Commons.

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved:

That the report of the civil service commission laid on the table of the house on the 26th instant, recommending the appointment of Miss Gladys Northcott as clerk, grade 4, law branch of the House of Commons, be approved.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, I should like to have some little explanation from the Prime Minister. In all the years I have been a member of this house I never heard of such a motion before. It may be a new departure. I think the house ought to be informed of what is really going on, and why.

Mr. MACKENZIE KING: The house has to approve appointments of its clerks where recommended by the civil service commission. The civil service commission has recommended this particular appointment of Miss Northcott as clerk, grade 4, in the law branch of the house. In making the motion I am simply taking the necessary step to have the commission's recommendation approved by the house.

[Mr. R. B. Hanson.]

It is the usual formal way of proceeding with respect to appointments of officials of the house.

Mr. HANSON (York-Sunbury): I thought it was always done through the estimates.

Mr. MACKENZIE KING: No, the house approves the recommendation of the civil service commission with respect to its own staffs. A day or two ago the civil service commission also recommended that three long-term temporary employees of the House of Commons be made permanent. In a moment I should like to make a similar motion regarding that particular recommendation.

Mr. HANSON (York-Sunbury): I am not opposing this at all, but with respect to the first case I would ask if ever this procedure was adopted before.

Hon. PIERRE F. CASGRAIN (Secretary of State): Yes, Mr. Speaker. It was done on many occasions in the last parliament, when, for instance, certain long-term temporaries on the staff of the House of Commons were recommended for permanency, a competition was held under the auspices of the commission and the commission recommended permanency. It is the custom to introduce a resolution in the house and have it adopted confirming the appointment recommended by the commission.

Motion agreed to.

Mr. MACKENZIE KING moved:

That the recommendation from the civil service commission regarding the permanency of three long-term temporary employees of the House of Commons, namely, Miss L. A. Kearns, Miss I. A. Boyce and Mr. L. C. Hill, be approved.

Mr. GREEN: May I ask the Prime Minister a question on this motion? Does making these officials permanent instead of temporary involve any reduction in salary?

Mr. MACKENZIE KING: Not necessarily. I should think it would leave the salary scale about where it has always been.

Motion agreed to.

PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 57, for the relief of Muriel Agnes Martin Beech.—Mr. Hazen.

Bill No. 58, for the relief of Alfred Reinhold Roller.—Mr. McIlraith.

Bill No. 59, for the relief of Sarah Kerzner Spilberg.—Mr. Factor.

Bill No. 60, for the relief of Christina Smith Dunlop Andrique.—Mr. Edwards.

Bill No. 61, for the relief of Anna Shepherd. —Mr. Abbott.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

BANK OF CANADA

Mr. HANSELL:

1. What is the salary of the governor of the Bank of Canada?

2. What are the salaries of each of the other officials of the Bank of Canada at Ottawa, excepting secretarial and office staff?

3. What are the salaries of each of the directors of the Bank of Canada, what other remunerations do they receive, and how much is allowed per day for travel and living expenses?

4. How many times, and on what dates did the directorate of the Bank of Canada meet since January 1, 1936?

5. Does any member of the dominion government sit on or with the directorate of the bank? If so, what powers does such member have?

6. Are the minutes of the meetings of the directorate available to the members of the House of Commons?

7. Is any or all correspondence exchanged between the Bank of Canada and the Bank of England available to the members of the House of Commons?

Mr. RALSTON:

1. Salary of the governor of the Bank of Canada, as fixed by order in council, is at the rate of $30,000 per annum.

2. The salaries of the deputy governor and assistant deputy governor, as fixed by order in council, are at the rate of $20,000 per annum and $10,000 per annum respectively: no information concerning other officials and employees.

3. Each director receives a fee of $150 for attendance at board meetings and an expense allowance of $20 per day for time spent in travelling to and from board meetings. The director who is a member of the executive committee receives a fee of $50 for attendance at committee meetings and the same travel allowance as above. No other remuneration is paid to directors. (The governor and deputy governor of the bank and the deputy minister of finance, who are members of the board and of the executive committee, do not receive any remuneration or expenses for attendance at board or committee meetings).

4. The board of directors of the Bank of Canada met on the following dates subsequent to January 1, 1936: (1936) Jan. 22, Feb. 25, May 20, Oct. 7, Dec. 7. (1937) Jan. 22, Feb. 23, June 22, Aug. 10, Nov. 12. (1938) Jan. 21, Feb. 22, May 30, Sept. 12, Nov. 7. (1939) Feb. 6, April 24, June 26, Sept. 11, Nov. 20. (1940) Feb. 9, April 19 and June 14.

In addition, the executive committee of the bank has met at least once every week.

5. No, but in accordance with the provisions of section 5, subsection 2 of the act, the deputy minister of finance is a member of the board, but has not the right to vote.

6. No.

7. No.

CAMP BORDEN AND TRENTON AIRPORTS—REPAIR FACILITIES

Mr. COCKERAM:

Are there sufficient repair facilities available at Camp Borden and Trenton airports to enable ground personnel to keep the maximum number of planes in operation?

Mr. POWER: At the present time there are not sufficient repair facilities available at Camp Borden or Trenton to keep the maximum number of planes in operation. Existing facilities are being expanded as rapidly as possible and the Department of Munitions and Supply is organizing the industry to undertake overhauls and to do major repairs. The R.C.A.F. will undertake running maintenance repairs only.

PRAIRIE FARM REHABILITATION ACT—PERSONNEL OF GENERAL COMMITTEES EXPENDITURES

Mr. DOUGLAS (Weyburn):

1. What is the personnel of the Prairie Farm Rehabilitation Act committees in (a) Manitoba, (b) Saskatchewan, (c) Alberta?

2. What remuneration did they receive in the form of (a) salary; (b) expenses?

3. What was the amount spent in each of the prairie provinces?

4. By provinces, what was the amount (a) received for machinery sold, (b) spent in the purchasing or leasing of land?

Mr. GARDINER:

1. There are no provincial committees under the Prairie Farm Rehabilitation Act but general committees are as follows:—

Advisory committee on water development: J. Vallance, Regina, Sask., chairman; W. L. Jacobson, Regina, Sask., secretary; B. Russell, Regina, Sask., consulting engineer; L. C. Charlesworth, Edmonton, Alberta; C. J. McGavin, Regina, Sask.; B. B. Hogarth, Winnipeg, Man.

Advisory committee on land utilization: E. S. Archibald (Chairman), Ottawa, Ont., Dominion Department of Agriculture; John Vallance, Regina, Sask., Dominion Department of Agriculture; W. L. Jacobson (secretary), Regina, Sask., Dominion Department of Agriculture; O. S. Longman, Edmonton, Alta, Province of Alberta; J. Ellis, Winnipeg, Man., Province of Manitoba; F. H. Auld, Regina, Sask., Province of Saskatchewan; J. H. McCann, Admiral, Sask., Provincial Municipal

Association; Paul Farnals, Halkirk, Alta., Provincial Municipal Association; James Arthur Ross, Melita, Man., Provincial Municipal Association; A. W. Cameron, Regina, Sask., Provincial Municipal Association; J. D. Guild, Winnipeg, Man., Canadian National Railways; A. Newman, Calgary, Alta., Canadian Pacific Railways; F. J. Freer, Winnipeg, Man., Mortgage Loans Association; A. E. Joslyn, Winnipeg, Man., Hudson's Bay Company.

2. (a) Nil.

(b) J. A. Ross, $47.30; A. Newman, $26.00; P. L. Farnals, $64.75; L. C. Charlesworth, $64.90; O. S. Longman, $73.12; A. E. Joslyn, $53.26; B. B. Hogarth, $46.40.

3. Administration, general, $180,357.81; Manitoba, $204,594.10; Saskatchewan, $2,524,380.65; Alberta, $320,824.39; total, $3,230,156.95.

4. (a) Nil.

(b) Manitoba, nil; Saskatchewan, $249,586.03; Alberta, $13,178.50.

*TRANSPORTATION OF ALBERTA OIL TO ONTARIO

Mr. BLACKMORE:

Has the Minister of Transport and Supplies considered the advisability of using his newly acquired powers to require that the Canadian National Railways and Canadian Pacific Railway should transport Alberta oil to Ontario at such rate as would enable Ontario people to buy, economically, Canadian produced gasoline?

Mr. HOWE: Consideration has been given to acquiring a better distribution of petroleum products, and a controller of petroleum products has been appointed with powers to deal with the matter, after a thorough investigation to that end.

Mr. HANSON (York-Sunbury): If I may be allowed, I would call the minister's attention to the fact that he has not dealt with the crux of this question, in that the hon. member is asking the minister to require the two railways to "transport Alberta oil to Ontario at such rate" et cetera. The minister did not deal with that aspect.

Mr. HOWE: I think the crux of it is in the words, "considered the advisability".

Mr. HANSON (York-Sunbury): Well, I would not say so.

Mr. ROWE: The minister is expected to do so, anyway.

Mr. HANSON (York-Sunbury): That goes as a matter of course.

ASSISTANT GRAIN COMMISSIONERS IN PRAIRIE PROVINCES

Mr. DIEFENBAKER:

1. How many assistant grain commissioners are there in the provinces of Manitoba, Saskatchewan, and Alberta?

2. What are their names and addresses?

3. What salaries did they receive during the years 1938 and 1939?

4. What was the total number and the total amount of the claims or complaints received by each during said years?

Mr. MacKINNON (Edmonton West):

1. One assistant grain commissioner in each of the provinces of Manitoba, Saskatchewan and Alberta.

2. Manitoba—T. J. Harrison, 206 Grain Exchange, Winnipeg; Saskatchewan—R. S. Dundas, 618 Federal Bldg., Saskatoon; Alberta—W. H. Blatchford, 625 Public Bldg., Calgary.

3. During the years 1938 and 1939 each assistant grain commissioner received $7,500 per annum.

4.

	1938		1939	
	Complaints received	Amount of claims	Complaints received	Amount of claims
Manitoba				
Claims *re* settlements	9	$1,759 15	15	$2,897 23
Other complaints	8	....	12	....
Complaints by board *re* operation of elevators	38	....	..	....
Saskatchewan				
Claims *re* settlements	4	507 72	5	204 53
Other complaints	8	....	12	....
Complaints by board *re* operation of elevators	85	....	..	....
Alberta				
Claims *re* settlements	31	3,604 17	15	2,008 34
Other complaints	29	....	17	....
Complaints by board *re* operation of elevators	28	....	33	..

CANADIAN NATIONAL RAILWAYS—
W. A. KINGSLAND

Mr. WHITE:

1. Is Mr. W. A. Kingsland, former vice-president and general manager of the Central division of the Canadian National Railways, now under superannuation, and, if so, what is the amount of his annual retiring allowance?

2. Is this the same Mr. W. A. Kingsland who is or was vice-president of the Dufferin Shipbuilding Company?

Mr. HOWE:

1. Yes.

2. Yes.

Note: Amount of Mr. Kingsland's retiring allowance is considered by the management of Canadian National Railways in the same light as official salaries, which are matters of domestic railway concern, not to be disclosed except as may be determined by the select standing committee on railways and shipping.

*PRAIRIE AIRWAYS LIMITED

Mr. DIEFENBAKER:

1. Has the Prairie Airways Limited been given a contract at the airports in Regina and Moose Jaw, Saskatchewan, or either of these, by the terms of which said company will train or provide training for pilots for service in the air force?

2. If so, what are the terms respecting remuneration or payment for such training?

3. Have contracts of a similar kind or nature been entered into elsewhere?

4. If so, with whom?

Mr. HOWE: The answer as the question is framed is, no. It is my understanding that Prairie Airways Limited has been given a contract by the Department of National Defence to conduct an air training school at one of these airports. This question seems to refer to a contract for the construction of an airport.

NATIONAL HOUSING ACT—LOANS BY PROVINCES

Mr. COLDWELL:

What were the number of loans and amounts, by provinces, made to date under (a) part I of the National Housing Act; (b) part II of the National Housing Act?

Mr. RALSTON:

(a) The National Housing Act, 1938, which repealed and reenacted the Dominion Housing Act with important amendments, was passed on July 1, 1938, but lending operations under the new act did not begin until about August 1, 1938. Details of loans under part I of the National Housing Act from August, 1938, to May 31, 1940, are as follows:

Province	No. of loans	Family housing units provided	Amount
Prince Edward Island	8	8	$ 43,800
Nova Scotia	218	232	872,262
New Brunswick	78	96	354,290
Quebec	989	2,383	8,012,769
Ontario	4,753	6,140	18,847,527
Manitoba	471	621	2,203,401
Saskatchewan	43	114	276,737
Alberta	.....	.....	.....
British Columbia	1,506	1,608	4,940,188
	8,066	11,202	$35,550,974

Details of loans made under the National Housing Act, part I, and its predecessor act, in the period October, 1935, to May 31, 1940, are as follows:

Province	No. of loans	Family housing units provided	Amount
Prince Edward Island	18	18	$ 97,834
Nova Scotia	590	607	2,506,760
New Brunswick	170	194	771,147
Quebec	1,622	3,583	13,504,691
Ontario	6,192	8,692	28,917,951
Manitoba	561	771	2,842,035
Saskatchewan	45	116	284,937
Alberta	.....	.....	.....
British Columbia	2,239	2,516	7,781,274
	11,437	16,497	$56,706,629

(b) None.

[Mr. J. A. MacKinnon.]

GRADE CROSSINGS—DISBURSEMENTS

Mr. CHURCH:

1. What sum of money was spent on grade separation during the last year of record, (a) main estimates, (b) supplementary estimates, and on what level crossings, by provinces?

2. What work is contemplated for 1940, or has been already allotted?

Mr. HOWE:

1. During 1939: (a) $24,000.00, (b) $205,436.53.

As follows:

(a) Order 57453, dated May 15, 1939, approved of an overhead crossing over highway No. 17, in lot 12, concession 3, township of Dryden, district of Sudbury, Ontario. Estimated cost $60,000. Grant 40 per cent from railway grade crossing fund—$24,000.

(b) Nova Scotia—Order 57804, dated Aug. 3, 1939. Diversion and overhead bridge over C.N.R. on Lake Shore road and overhead bridge at Egerton, N.S. Estimated cost $50,000. Grant 70 per cent from vote 585, 1939-1940, $35,000—$35,000.

Quebec—Order 57220, dated March 31, 1939. Pedestrian subway under C.N.R. at Belzile St., town of Rimouski. Estimated cost $12,600. Grant 100 per cent from vote 630, 1938-39, $12,600—$12,600.

Quebec—Order 57875, dated Aug. 23, 1939. Overheard bridge over C.P.R. in St. Agathe. Estimated cost $67,100. Grant 40 per cent from vote 585, 1939-1940, $26,840—$26,840.

Ontario—Order 57803, dated Aug. 3, 1939. Overhead bridge over C.P.R., on lot 14, concession 4, township of Hagar. Estimated cost $91,550. Grant 40 per cent from vote 585, 1939-40, $36,620—$36,620.

Ontario—Order 57817, dated Aug. 9, 1939. Overhead bridge over T. H. & B. Ry. on Dundern street, Hamilton. Estimated cost $104,823.62. Grant 70 per cent from vote 585, 1939-40—$73,376.53.

Alberta—Order 57748, dated July 19, 1939. Highway diversion and subway under C.N.R. on Edmonton-Jasper highway from northwest quarter of section 16, township 53, range 6, W. 5 M, to section 19, township 53, range 6, W. 5 M, a distance of 1·96 miles and to construct subway at mile 61 Wabamum subdivision. Estimated cost $30,000. Grant 70 per cent from vote 585, 1939-1940, $21,000—$21,000. Total, $205,436.53.

2. One grade separation has been approved in 1940, as follows:

British Columbia—Order 58864, dated March 18, 1940. Subway under C.P.R. at mile 3·42 Shuswap subdivision, three miles west of Revelstoke. Estimated cost $86,000. Grant 70 per cent from vote 585, 1939-1940—$60,200.

[Mr. Ralston.]

QUESTIONS PASSED AS ORDERS FOR RETURNS

UNITED STATES BACON—USE IN MILITARY CAMPS

Mr. SENN:

1. Has imported American bacon been used for military camps in Canada during the past three months?

2. If so, in what amount?

3. In what proportion to the total amount of bacon used at such military camps?

Mr. CASGRAIN: Return tabled.

KINGSTON, ONT.—GOVERNMENT UTILIZATION OF PRIVATE BUILDINGS

Mr. AYLESWORTH:

1. How many buildings not owned by the government are being used by the Department of National Defence in the city of Kingston?

2. What are the names of the owners of these buildings?

3. What was the cost of conditioning each building?

4. What rent is being paid per month for each building?

Mr. CASGRAIN: Return tabled.

VEGETABLE SHORTENING—USE IN CANADIAN ARMY

Mr. ROSS (St. Paul's):

1. Is vegetable oil shortening being furnished to the Canadian army in place of lard and other animal fats?

2. If so, in what total amount?

3. To what percentage in relation to the amount of lard and other animal fats?

4. By what authority are such requisitions made?

Mr. CASGRAIN: Return tabled.

AEROPLANE ENGINES

DECISION OF MR. FORD WITH RESPECT TO MANUFACTURE FOR BRITISH GOVERNMENT

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, I desire to call the attention of the Prime Minister (Mr. Mackenzie King) and the government to a press dispatch from Washington, under yesterday's date, in which it is indicated that negotiations between the United States government and Mr. Henry Ford for the mass production of aeroplane engines collapsed yesterday.

It has been announced by Mr. Knudsen, of the national defence commission, that Mr. Ford refuses to manufacture engines for Great Britain and has thus forced cancellation of plans for early mass production of Rolls Royce motors by the Ford motor company, and that the national defence advisory commission will seek cooperation in the production of this important military equipment elsewhere.

Having regard to the fact that the French fleet may be delivered to the German government and that therefore, as a result of this and other factors, western civilization on this hemisphere faces immediately a situation of dire peril, what action is this government taking to protect Britain's position?

Right Hon. W. L. MACKENZIE KING (Prime Minister): I will leave it to my hon. friend the Minister of Munitions and Supply (Mr. Howe) to reply to the part of my hon. friend's question which refers to the manufacture by the Ford company of aeroplane engines.

As to the latter part of the question, it involves the whole defence effort of the country and could not very well be replied to offhand.

Hon. C. D. HOWE (Minister of Munitions and Supply): The facts of the situation are, I think, that the committee recently appointed by the President of the United States to obtain production of war materials in the United States were negotiating with the Ford company for an order on behalf of the United States government, combined with an order for the British government placed by the Anglo-French commission in New York. The situation appears to be that the transaction has collapsed.

As far as Canada is concerned, the Ford motor company, of course, is a public company with wide ownership and it has been doing splendid work in the production of war materials.

Mr. HANSON (York-Sunbury): I am not speaking of the Ford Motor Company of Canada.

Mr. HOWE: Well, I assumed that the Canadian interests of Mr. Henry Ford would be through the company in Canada in which he is a shareholder.

Mr. HANSON (York-Sunbury): I had entire reference to the United States company, which is not, as I understand it, publicly owned. I had no reference to the Ford Motor Company of Canada. I should like to have that made absolutely clear.

BRITISH CHILDREN

ARRANGEMENTS AND FACILITIES FOR EXTENDING HOSPITALITY OF CANADA FOR DURATION OF WAR

On the orders of the day:

Mr. DOUGLAS G. ROSS (St. Paul's): I wish to direct a question to the Minister of Mines and Resources (Mr. Crerar) of which I have given him notice. My question is based on an appeal over the radio by Mr. J. B. Priestley from England, some little time ago, to which I listened, in which he stated that his wish and the wish of people over there was to be able to evacuate about a million children from Great Britain. It is based also upon a telegram which I have received from Toronto. I crave the permission of the house to read the telegram in order to make my question clear:

Douglas G. Ross, M.P.,
Ottawa, Ont.

Undersigned deeply disappointed to learn from radio sources Great Britain that evacuees to be restricted to relatively small numbers. If this due lack of facilities Canada urge immediate reconsideration proposed bases of handling here in belief that mass evacuation imperative from military as well as humanitarian point of view. The five undersigned officers of this company personally offer immediately two houses one in Toronto, one in Ancaster and will undertake to equip and maintain in each house mother and help. Undersigned as responsible citizens undertake personal responsibility in securing proper and qualified persons to manage these houses. Facilities believed to be adequate for housing twenty-five children. Purpose this wire to emphasize that present emergency involves mass evacuation and that previously well prepared plans now inadequate. Undersigned only officers present at discussion others no doubt eager cooperate. Please wire reply care Manufacturers Life.

A. Mackenzie,
Assistant General Manager,
C. L. Holmes, Actuary,
R. E. Dowsett, Secretary,
S. M. Thompson, Treasurer,
Manufacturers Life Insurance Company

I should like to ask the minister:

1. Whether the evacuees from Great Britain are to be restricted to a relatively small number, and, if so, what number?

2. Is this due to lack of facilities in Canada?

3. What arrangements are made for the payment of passage from Great Britain?

4. What arrangements can be made with respect to those people in England who wish to pay for the support of their children while here?

5. What restrictions, if any, are being placed on the permission given for these children to come to Canada, by the government of Canada?

Would the minister care to make a statement?

Hon. T. A. CRERAR (Minister of Mines and Resources): My hon. friend's question is based apparently upon a statement by Mr. Priestley in Great Britain some time ago in which he expressed the wish that one million children could be evacuated. I know nothing of this, but I assume it was merely a statement of Mr. Priestley's own views on the

matter. Not so long ago the British government expressed the opinion to us that they were doubtful whether many children would come to Canada except in gravest emergency, and in any event they made it quite clear that no children would be sent to this country without the approval of parents or guardians.

Mr. HANSON (York-Sunbury): That is fair enough.

Mr. CRERAR: That is the information we have. As regards the expression of opinion in the body of the wire which my hon. friend read, to the effect that the gentlemen signing it wish to emphasize that the present emergency involves mass evacuation, that is a matter wholly for the British government to decide. I doubt the wisdom of accepting as fact statements that may be made on this matter by various individuals over the radio.

Mr. HANSON (York-Sunbury): Are we to take that as applying to all radio broadcasts, including those of the Prime Minister?

Mr. CRERAR: May I make it clear to my hon. friend who leads the opposition that these statements over the radio emanated not from the Canadian Broadcasting Corporation but from the British Broadcasting Corporation. Statements of this kind are often inaccurate. I hope to make a statement to-morrow outlining in some detail what has been done up to the present time. So far I have not been able to do so because of communications passing between ourselves and the British government.

Mr. HANSON (York-Sunbury): Will the minister say that in addition to a statement with regard to what has been done up to the present time he will make a statement as to what may be done in the future? That is more important.

Mr. CRERAR: That, I hope, will be covered to the satisfaction of my hon. friend in the statement I shall make, as will the other questions which the hon. member has asked, based upon the telegram.

RADIO BROADCASTING

NEWS SERVICES—CANCELLATION OF TRANS-RADIO PERMIT AS OF JULY 1

On the orders of the day:

Mr. M. J. COLDWELL (Rosetown-Biggar): Yesterday a question was directed to the Minister of Transport (Mr. Howe) regarding Trans-Radio press services. Can he make a statement to-day on the matter?

Hon. C. D. HOWE (Minister of Transport): The matter of news services employed by the Canadian Broadcasting Corporation and associated stations is one for the board of governors to determine; it is within their exclusive province. The board will be meeting in Ottawa to-morrow to discuss that very situation, and I have no doubt they will decide the matter wisely.

PASSPORTS AND VISAS

POSITION WITH RESPECT TO ENTRY OF UNITED STATES NATIONALS INTO CANADA

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): I desire to address to the Prime Minister (Mr. Mackenzie King) an interrogatory, of which I have sent him notice, on a matter of considerable public importance. The position with respect to passports for Canadian nationals entering the United States has been clarified by the announcement made over the week-end, but the position with respect to entry of United States and other nationals into Canada has so far not been clarified, and we are still in the dark as to what the real position is. When I referred to this matter on a previous occasion the Prime Minister intimated that it was hoped to arrange for a measure of reciprocity. So far nothing has been announced.

The matter is of considerable importance and, in my opinion, exceedingly urgent. We are now near the end of June. Our tourist season in Canada, at best, is of very short duration. If we are to have any tourist business this season the position should be clarified at once and a public announcement made. I would ask the Prime Minister to tell the house and the country what the present position is and when we may expect a final decision on the part of the government; and if it is possible to make an announcement now, I think it should be made.

Right Hon. W. L. MACKENZIE KING (Prime Minister): My hon. friend was kind enough to intimate that he would ask the question and I am prepared to make an immediate reply.

As previously announced, the government have for some time past been giving careful consideration to the question of border control. We recognize the necessity of special vigilance in view of war conditions. We also recognize the desirability of interfering as little as possible with legitimate access to Canada by visitors from the United States.

The United States authorities have recently instituted a system of passports and visa control on all borders of the United States, to become effective on July 1. I may add

that in order to avoid disruption in essential services arrangements have been made to postpone the visa regulation until July 15 for the operating personnel of railway trains, aircraft, vessels and buses.

Mr. HANSON (York-Sunbury): That is just for the crews?

Mr. MACKENZIE KING: That is all. Under this system it will be necessary for a Canadian who intends to visit the United States to obtain a passport from the Canadian authorities and then to secure a visa or permit from one of the United States consuls stationed at different points in Canada.

We have taken steps to review and strengthen the existing system of border control, including stricter immigration inspection at the border and special provision in certain areas which have usually not required attention. The protection of vulnerable points is, of course, being continued and will be increased.

All circumstances considered, it has been deemed desirable to continue for the present the practice of not requiring passports from United States citizens. All that will be necessary is for the visitor to satisfy the Canadian immigration authorities that he is a United States citizen and that he is coming to Canada for a legitimate purpose. There will be no unnecessary delays or hindrances placed in the way of tourists, who will continue to receive the cordial welcome that has been extended to them in the past.

United States visitors will see in Canada a country intensifying its war effort against nazi and fascist aggression and tyranny, but a country which at the same time is at peace with and in increasing accord and friendship with its great democratic neighbour. If at the end of the summer season it should be found necessary to establish a system of passport control and to set up the necessary Canadian consular service in the United States, ample notice of such intention will be given.

Mr. W. K. ESLING (Kootenay West): I ask the Prime Minister to forgive me for not having given notice of this question, but I did not expect the matter to come up. It relates to the visa on a passport. The obtaining of a passport is a trifling matter, but people in southeastern British Columbia cannot get one visaed at an expense of less than three or four days of travel and at least $50 to $75 in money. I would ask the Prime Minister to make representations to the United States legation; for that of course is the only channel through which that representation can be made. The various boards of trade out there are passing resolutions and sending communications which are useless, because there is but the one channel through which anything can be done.

Mr. MACKENZIE KING: We have already been making representations with respect to the difficulties that are likely to arise. The United States regulation has been passed rather hurriedly, as my hon. friend knows, and he will find, I think, that there will be every disposition on the part of the United States authorities to meet us in the reciprocal spirit to which I have referred; when I spoke of reciprocity, I did not mean identical action, it was reciprocal as contrasted with anything of a retaliatory nature, reciprocal as being in the spirit of seeking to meet the mutual needs and embarrassments with which we are faced.

Mr. GEORGE BLACK (Yukon): Has any arrangement been made in regard to travel by boat? Has the regulation been waived in regard to travel on boats as well as on railways and aeroplanes?

Mr. MACKENZIE KING: The only information I have is what I have given the house, but I will look into the matter of my hon. friend's question.

Mr. BLACK (Yukon): The reason I ask the question is that we are faced with a strange situation in the Yukon. To come out of the Yukon to other parts of Canada it is necessary to pass through Alaska, and when that regulation goes into effect Canadians crossing Alaska will have to have a passport, and a visa from a United States consul. There is no United States consul in the Yukon, so that Canadians can neither go into nor come out of the Yukon. I have put it up to the United States consulate here to-day, but I should like to have the co-operation of Canada's government as well.

Mr. MACKENZIE KING: My hon. friend will have that.

Mr. HANSON (York-Sunbury): We have the same situation in western New Brunswick.

NATIONAL DEFENCE TAX

QUESTION OF APPLICATION TO WAGES EARNED OR ACCRUING DUE DURING AND AFTER JULY, 1940

On the orders of the day:

Mr. T. L. CHURCH (Broadview): I wish to ask a question of the Minister of Finance (Mr. Ralston): I have received a request from three employers of labour for an explanation regarding the deduction of the national defence tax from the wages of employees.

They have only four more days, they say, in June to comply with this requirement. The provision in the budget in this regard is not clear. I quote:

That every employer be required to deduct the tax imposed in respect of earnings of the employee earned or accruing due during and after July, 1940.

That every employer remit the tax collected at the source on the 16th day of September, 1940, and on the 15th day of each month thereafter.

These employers say that they pay their men for June on July 1. Does this requirement mean that the tax will be deducted from the June wages of these men on July 1? The words are not clear. I would ask the minister to state what the words mean.

Hon. J. L. RALSTON (Minister of Finance): In the resolution and the act itself the meaning will be made clear. I believe the intention is that wages from July 1 shall be subject to the deduction.

Mr. CHURCH: Then wages due for all June and paid on July 1 will not be deducted or included in the return, as the press in some cases has stated it must be?

Mr. RALSTON: That will be dealt with in the bill. I think the intention is that wages earned from and including July 1 will be subject to the tax.

NATIONAL REGISTRATION

CALLING UP OF CLASSES UNDER THE NATIONAL RESOURCES MOBILIZATION ACT

On the orders of the day:

Mr. G. S. WHITE (Hastings-Peterborough): I wish to ask a question of the Prime Minister (Mr. Mackenzie King). Is it the intention of the government to carry out some scheme of registration under the mobilization act before the first class of men is called up for training under this act? If it is not, will the Prime Minister give the house information as to when the first men are likely to be called up?

Right Hon. W. L. MACKENZIE KING (Prime Minister): The government is proceeding with the preliminary plans for registration. Just what will take place either before or immediately thereafter, or how soon some of the classes to which my hon. friend refers may be called up is a matter which necessarily will have to be considered by the departments concerned. Information will be given to the house as soon as the matter is definitely decided. I regret that I cannot go any further than that in replying to the hon. member to-day.

BEAUHARNOIS POWER COMPANY

PROPOSED APPROVAL FOR DIVERSION OF ADDITIONAL 30,000 CUBIC SECOND FEET—CONCURRENCE IN SENATE AMENDMENTS

Hon. C. D. HOWE (Minister of Transport) moved the second reading of and concurrence in amendments made by the senate to Bill No. 9, respecting the Beauharnois Light, Heat and Power Company.

He said: The bill in question has but one operative clause, which provides for the diversion of an additional 30,000 cubic second feet through the Beauharnois canal. It provides that this diversion shall take place "in such manner, upon such terms and conditions and with such limitations and reservations as may be prescribed by order of the governor in council." The amendment offered by the senate adds to that a certain direction to the governor in council in preparing the order in council. The added clause is:

1. Page 2, line 14.—After "council" insert "which order shall provide that Beauharnois Light, Heat and Power Company shall settle, pay and fully provide for the claims of riparians and other persons, including navigation companies, who may sustain any loss or damage by the exercise or in consequence of the exercise, in whole or in part, of the right by this act granted, including the execution of any remedial or control works incidental to such exercise of such right, erected by or for the said Beauharnois Light, Heat and Power Company."

I do not know that there is any objection to the amendment. Provision would in any case have been made in the order in council to protect any persons or corporations damaged by the diversion.

Mr. HANSON (York-Sunbury): That is the proposed diversion?

Mr. HOWE: Yes.

Mr. HANSON (York-Sunbury): Does this not go a little further than that?

Mr. HOWE: Well, it seems to me it is a clause which would delight the heart of a lawyer anticipating litigation.

Mr. HANSON (York-Sunbury): A lawyer drew it.

Mr. HOWE: To me it seems vague. It says "who may sustain any loss or damage", that the company "shall settle, pay and fully provide for the claims of riparians and other persons". It seems to me it might at least say "lawful claims".

Mr. HANSON (York-Sunbury): Oh, that is understood; they must be just claims.

Mr. HOWE: Another vague part is the point which my hon. friend has raised. Does

it refer to the 30,000 cubic second feet granted by this bill? I take it it does, because it is an amendment to this bill.

Mr. HANSON (York-Sunbury): Is it the government's interpretation that this amendment refers to damage claims arising by reason of the previous diversion of 40,000 cubic second feet?

Mr. HOWE: I asked that question of our legal advisers, and I am advised that it refers entirely to claims arising out of the diversion of the 30,000 cubic second feet referred to in this bill—which opens up a very delightful avenue of speculation, it seems to me. However, after receiving the advice of our legal advisers I have no objection to the amendment.

Mr. T. L. CHURCH (Broadview): Before this motion is adopted I want to point out two or three principles which have been overlooked by the house in connection with this application. This is purely a power bill; not by the widest stretch of the imagination can it be said to be a navigation work and a work for the general benefit of Canada, except in a very technical way. It is not in any sense a bill dealing with navigation. Between lake St. Francis and lake St. Louis the only navigation consists of small pleasure boats, some of the Canada Steamships boats, the *Rapids King*, the *Rapids Prince* and that sort of thing; but really the power bill does not touch the question of navigation as a whole.

In my opinion, Mr. Speaker, we as a parliament have no power to part with these privileges. We should not give away the great water powers of this country in the haphazard manner in which we have granted this application. So far as I am concerned the government must take the responsibility for this bill, which has to do with the war effort only in small part. Principally it is a power bill. taking advantage of the present state of affairs to grab these water powers forever, in perpetuity, which are the property of the people of this country and which should not be parted with except under proper safeguards.

The purpose of this bill is known in every chartered bank in this country and every banking office in New York. When this application first came before parliament, away back in 1927, I introduced a bill to forestall order in council P.C. 422, which was referred to during the debate on this bill in this house and also in the senate. I proposed to transfer to parliament the right of the governor general in council under the Navigable Waters Protection Act, under which the Minister of Public Works had power to grant applications to develop power out of that river by means of order in council. I proposed a bill to give this parliament power to deal with such matters, and now in the senate amendment to this bill I find that principle was part of the 1931 act, and will require parliament's sanction to a further 30,000 horse-power.

The Senate amendments are:

> . . . Beauharnois Light, Heat and Power Company shall settle, pay and fully provide for the claims of riparians and other persons, including navigation companies, who may sustain any loss or damage by the exercise or in consequence of the exercise, in whole or in part, of the right by this act granted, including the execution of any remedial or control works incidental to such exercise of such right, erected by or for the said Beauharnois Light, Heat and Power Company.

I think before we adopt this amendment we should have a meeting with their honours concerning our war policy in regard to power and its control by a power controller. This whole problem goes back to 1922, at which time I also proposed that we should meet with their honours in regard to such a national policy. I believe we should have a joint committee of both houses to go into the question of a national hydro policy for this country in war time, by which the government of the day could generate and develop power on this international river as well as the interprovincial rivers of this country. I believe the government has power now, under the British North America Act and the War Measures Act, to adopt such a federal hydro policy, so that when navigable works are carried on, power may be developed, generated and distributed at cost to the two central industrial provinces, and monopoly may be avoided.

We should be very careful in parting with these water powers, which are the property of the people. Amendments similar to this were proposed a few years ago in connection with the Sifton bill, which sought all the water powers of the Georgian bay and Ottawa valley in Ontario, right up to the Nipigon, and new Ontario. At that time the department took the opposite stand with regard to the privileges and rights of the province of Ontario in the matter of navigation and water power. When this matter was up in 1922 and 1923, when Sir Adam Beck and the Ontario hydro wanted to develop power at the Morrisburg dam, this government took the opposite point of view and said it would effect the lowering of lake levels and the levels of the port of Montreal. According to the Canada Year Book we have a potential development of 42,000,000 horse-power in this country, of which only 7,000,000 horse-power,

or less than one-seventh, has been developed. In my opinion this canal is just a blind, a smoke screen behind which they hope to get the bill passed in order to get hold of these water powers during war time, and of course they will be retained in perpetuity, and without adequate safeguards, when peace comes.

Some of this power may be exported. We know there is a tax on the export of power, but once it is exported it is gone forever. Ten years ago the bill I introduced in the house, to give this house full power over permits, was voted down by 85-72; the minister said at that time that under the law, as my bill had failed, they had no power to refuse the first application which was made by this company. At that time they obtained by order in council 422, 53,000 cubic feet per second, and now they are after another 30,000 feet.

Mr. SPEAKER: I would direct the hon. gentleman's attention to the fact that the only matter before the house at the present moment is the amendment adopted by the senate. The hon. gentleman is now referring to the merits of the bill, which have been discussed in this house already. I would ask the hon. member to confine himself to the amendment now under consideration.

Mr. CHURCH: That is quite right, Mr. Speaker, but my suggestion is that we should appoint a committee from this house to meet with a committee from the Senate and go into this question of a national war policy with regard to power. I believe the government should lay down such a policy to protect these water powers in the interests of the people in peace and war alike. During almost ten months of the year we in this country require coal, and now we are parting with our water powers. As the late Theodore Roosevelt said, the people of the continent are faced with a power monopoly. Who own all these power companies to which parliament is handing out privileges? They are owned mostly by Americans in New York. Just look at the returns in the financial annuals and you will see the truth of what I say as to the directors and financial set-up. Now we are handing over an additional 30,000 cubic feet per second, and nearly the full flow of the river, without proper safeguards in the interests of Canada. I can tell you this: If there were a proper power controller for Canada, as in the last war, with power to operate in the provinces where these companies are situated, we would have a proper regulation of power and a redistribution in Quebec. We know how this government at the time of the last war regulated the production of power in Ontario. Under the bill now before us there is very little provision for the regulation of power companies or the protection of Canada by proper safeguards.

For these reasons I urge that instead of adopting the senate amendments we should meet their honours to see about a federal hydro national policy and the appointment of a proper federal power controller who would have jurisdiction over the output during the war years of these privately-owned monopolies who deal with the people's heritage. We remember that at the time of the last war Sir Henry Drayton regulated the activities of power companies. There ought to be some measure of regulation when in reality we are giving to these companies in perpetuity our magnificent heritage. In Quebec a power controller could adjust war matters there.

In conclusion may I point out I believe the time has come when the government will have to take national jurisdiction over the power and develop it at cost for the people. Under the British North America Act and the War Measures Act, we have jurisdiction in connection with the development and generation of power. That power should be distributed at cost to the industrial provinces which are now suffering.

Motion agreed to; amendment read the second time and concurred in.

SUPPLY

AEROPLANE ENGINES—DECISION OF MR. FORD WITH RESPECT TO MANUFACTURE FOR BRITISH GOVERNMENT—STATEMENT OF MR. COLDWELL

Hon. J. L. RALSTON (Minister of Finance) moved that the house go into committee of supply.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, before you leave the chair I should like to draw further attention to a matter raised this afternoon by the leader of the opposition (Mr. Hanson). It was my intention to bring this matter up on the motion to go into supply, because I believe it deserves much more consideration than was given to it merely by a question and an answer across the floor of the house before the orders of the day were called.

The newspaper reports regarding the refusal of the head of a corporation, which has a subsidiary in Canada—

Mr. MARTIN: That is not true.

Mr. COLDWELL: —controlled in all its policies from the other side of the boundary line, and refusing to assist the British com-

monwealth in its hour of need, deserve more than passing reference in this House of Commons. I am impelled to make this statement because throughout Europe in recent days treachery to the cause of democracy has not been wholly on the part of a few submerged elements within those countries. It has come frequently from very powerful individuals and from industrial and economic corporations. I am reminded that the gentleman who heads the Ford companies and makes the statement appearing in to-day's press is a gentleman who was decorated by the leader of the German reich, and whose long record is not one that inspires confidence in those of us who believe in democratic institutions.

Already in our country we have undertaken prosecutions of insignificant and to some extent unknown persons for stupidities committed here and there in beer parlours and elsewhere. True, we have got to stop that kind of thing; but on the other hand it seems to me we have got to take cognizance of the possibility of sabotage, treachery, or treason in high places. Last week we placed on the statute books of our dominion an act giving this country the right to take over any industry we needed for our war effort; and I submit to the government that here is an opportunity to show the people of Canada that we are going to mobilize not only manpower but industry as well.

I said we were prosecuting comparatively unknown people—and I am not complaining, when those prosecutions are justified. But what are we going to do when the controlling influence in a great organization such as the one Henry Ford controls throws down the gauntlet and says, "I will not make the badly needed engines for the British commonwealth, and particularly for Great Britain herself." To my mind the whole record of Henry Ford is the record of one of the type who is bringing upon us the very conditions we fear. He is the type of industrialist who has exploited the working man, who has regimented him; and then, when he has sucked the life-blood out of him, throws him into the gutter. That, I submit, has been the Ford method, throughout the years.

Mr. MacNICOL: Has not Ford paid his working men a pretty good wage?

Mr. COLDWELL: Ford has paid his men what was regarded as a good wage; but those of us who know the history of the Ford workers know this, that the mass production line of the Ford factory has destroyed those men long before the period of their usefulness should have ended. Everyone knows that who knows anything about industry—that it is one of the cruelest industries in the world. And because Ford, fattening on human life, as he has done, has set the example, other industries, in order to compete with him, have had to follow.

I remember reading several years ago the papal encyclical, *quadragesimo anno*—I have not it before me, and the reference I make is from memory—and noting therein the condemnation of an industrialism of this type. It is that kind of industrialism which is causing revolutionary undercurrents all over the world. It is that kind of industrialism which has led to the organization of fascist states, regimented states, states where human personality is destroyed, as they have it in Italy and in Germany.

For him—Henry Ford—anything in the nature of collective bargaining has been an anathema. Workers who wished to bargain collectively have been dismissed. It is true that his personal fortune runs into billions of dollars, and that a great deal of that was made in the British commonwealth of nations. I say that because some years ago—I have forgotten the date—Canadians agreed that Henry Ford, through his Canadian company, should have the sole right to manufacture under his patents not only to supply Canada but to supply the British empire. Under a friendly tariff policy in Canada we have allowed him to accumulate hundreds of millions of dollars in Canada. Yet—and I must point this out—when the depression came, and after all those millions, yes, billions of dollars, had been made, what happened to the Ford workers? They were immediately thrown upon the relief rolls of our cities, and our public purse had to maintain them.

Mr. HANSON (York-Sunbury): Will the hon. member permit one question? Is he referring to the Ford Motor Company of Canada or to the Ford Motor Company of the United States? I was referring solely to the Ford Motor Company of the United States.

Mr. COLDWELL: I am referring to the Ford motor company generally—

Mr. HANSON (York-Sunbury): Of course there are two.

Mr. COLDWELL: —because I believe the policies of subsidiaries to be found in other countries are controlled by Henry Ford. Thus the policy Ford lays down for the United States corporation is the policy carried out by the subsidiaries all across the world. When the depression came it is known that in Windsor, Walkerville, Ford—or wherever it is the factory is situated—the workers were thrown upon relief. When that happened and discontent arose we found the very kind of thing which has led to the rise of communism and fascism—the establishment of a sort of

service and espionage department presided over by those who were prepared to use strong-arm methods against the workers.

I recollect that the mayor of Detroit on one occasion said that in the employ of Mr. Ford could be found some of the worst thugs in the city of Detroit. On March 7, I think it was, of 1932, the civic authorities of Detroit gave the hungry working people of the Ford plant permission to make a peaceful parade in that city. When these working people got to the boundary of the city and crossed over into the Ford city of Dearborn, what were they met by? Tear gas bombs, vomit bombs and machine guns. Four men were killed and some fifty were taken to hospital, wounded. No wonder Hitler decorated Mr. Ford!

This is the partial history of a man who is to-day determined to prevent, so far as he is able, his great factory in the United States from helping the cause which we are assisting to the fullest extent. I ask what the government is going to do with this highly placed saboteur, with this man who controls the Ford industry which has a subsidiary in Canada, and controls the policy, let me repeat, of that great Canadian industry. There is no question about that because whatever happens in the United States happens in Canada. Whatever model is produced in the Ford factory in the United States is produced also in Canada. Every change and every condition is dictated by the one dictator in the company. As I said a short time ago, the Canadian Ford worker has no right to bargain collectively. Ford frowns upon it; there are no human rights in his plants. Now Ford says that the British people in their hour of need shall receive no assistance from the great factory which he controls in the United States.

I am asking the government this afternoon to use the powers that this parliament gave it a week ago, and, so far at least as the interest of Henry Ford goes in the industry in Canada, to do what we are doing with lesser fry, those little people who have among them perhaps some subversive elements, and whose halls have recently been placed under the control of the custodian of enemy property. Here is an opportunity for the government to take this industry out of the control of Henry Ford and, so far as his interest is concerned, place it, if you will, for the time being, until we decide what we are going to do with it, under the control of the custodian of enemy property, just as we have done with the property of far less influential people.

Mr. PAUL MARTIN (Essex East): Mr. Speaker, I am sure that the hon. gentleman who has just spoken (Mr. Coldwell) and other hon. members would expect me, as representing the constituency in which the Ford Motor Company of Canada happens to be situated, to make a comment on what the hon. gentleman has said.

What he has said about Mr. Henry Ford personally, and particularly with reference to what Mr. Ford has recently done, will be supported by every member of the house, by the vast majority of the citizens of this country, and by the vast majority I am sure of the citizens of the United States. But a distinction should be made, and that distinction was properly made at the outset by the leader of the opposition (Mr. Hanson) when he indicated that he was speaking of the Ford Motor Company of the United States, of which Mr. Henry Ford is the president.

Mr. HANSON (York-Sunbury): The founder.

Mr. MARTIN: Following that remark by the leader of the opposition, the member for Rosetown-Biggar said that his remarks were applicable in a general way to the Ford motor companies no matter where situated.

Mr. COLDWELL: That is right.

Mr. MARTIN: The Ford Motor Company of Canada is a separate legal entity. I do not rise to comment upon the attitude of the industry generally in reference to its treatment of labour, because that is a matter which can more properly be discussed at another time and in another way. But I did feel that it was my duty to rise and to say at once that the generalization which the hon. member has made is a very unfair one. It would apply to the president of the Canadian Ford company, a gentleman whose patriotism and whose citizenship in this country cannot be disputed. Mr. Wallace Campbell has served his country during the war as chairman of the war supply board in a way which the Prime Minister (Mr. Mackenzie King) has said deserves the highest gratitude of this country. Moreover, Mrs. Campbell, the wife of the president of the Ford company, has been tremendously active in Red Cross work not only during the war but for many years now, and she is to be found even this day travelling far outside her own community in the service of this great organization.

Moreover, the Ford Motor Company of Canada is engaged in the making of war materials to crush Hitler and his gang; so that when the hon. member characterizes the Ford Motor Company of Canada in the way he has done because of the narrowness of Mr. Henry Ford himself, he does a great injustice. I rise to speak not only on behalf of men like Mr. Wallace Campbell and his obvious patriotism, and a good many of his

directors who are citizens of Windsor and citizens of Canada, but on behalf also of the vast majority of the workmen employed by the Ford Motor Company of Canada, who I am sure would walk out of that plant if they felt that the general characterization which the hon. member for Rosetown-Biggar has made was justified. I feel, Mr. Speaker, that the hon. member owes an apology or some explanation at least to his fellow citizens who happen to be of the Ford Motor company, either in the executive or in the working end. Surely they cannot be held responsible for the president of a separate legal entity which operates in another country, whose views I am sure are not at all shared in by them, indeed are just as repugnant to them as they are to the hon. gentleman himself.

Hon. C. D. HOWE (Minister of Munitions and Supply): Mr. Speaker, perhaps there is little I need say in this matter after what the hon. member for Essex East (Mr. Martin) has said. Mr. Henry Ford is a citizen of the United States, and the Ford Motor company is a family corporation owned in the United States by Mr. Ford and his immediate family. We believe that Mr. Henry Ford has taken an attitude that is distinctly unfriendly to the British empire and every part of it, and I think we can say that he has been dealt with by the United States government as perhaps the circumstances warranted. He refused to accept the British part of an order for aeroplane motors, and if newspaper reports are correct, that part of the order for United States account has been cancelled by the United States government.

But the Ford Motor Company of Canada is a corporation situated in the Dominion of Canada. It is not a family corporation. It is a corporation of shareholders, and while Mr. Henry Ford probably has a very considerable interest in it, nevertheless the Canadian company is a public corporation owned in considerable part by Canadian citizens. I believe that the government must judge the Ford Motor Company of Canada by its own conduct and not by the conduct of one who is only a shareholder in this company.

As the hon. member for Essex East has said, the president of the Canadian company has shown perhaps as keen a desire to assist in Canada's war effort as any other citizen of this dominion. His corporation since the outbreak of the war has done and is doing very important work for Canada's war effort, in the way of building motor transport and universal carriers. The company has placed itself entirely in the hands of the government as to the terms of the contract which it has had. A contract, providing for a fixed price as low as we could find any basis for asking, was worked out; an overriding provision was inserted that the books of the company would be audited and if the stipulated price produced a profit more than a very low percentage indeed, that price would be scaled down accordingly. In other words, the work of the Ford Motor Company of Canada, its attitude toward the war, and its ability to assist in Canada's war effort, have been, so far as I have been able to observe, beyond criticism.

I may say this, and I say it not particularly about the Ford Motor Company of Canada but about any plant in Canada: if there is the slightest indication that any corporation capable of making war materials is not doing so energetically and in a way which will afford maximum assistance, the government will not hesitate to take over that plant and see that it is operated for government account. The powers which we have under the first munitions and supply bill provide definitely for that contingency. We have not used to this extent the powers conferred under the bill, although on a few occasions we have threatened to do so. I suppose it is obvious to all of us that the mere fact of our having those powers avoids to a large extent the necessity of using them.

I regard it as entirely unfair to judge one company by an action of its affiliate or a company with the same name located in another part of the continent. I could mention a motor car company which is doing good work for the allies in the United States, good work for us in Canada, good work for the British government in Great Britain, and also, I assume, for Hitler in a plant owned by the same company in Germany. I do not know how these situations can be avoided. I think that we, as the government of Canada, must look after residents in our own area and ensure that there is no lack of effort on their part so far as Canada's war contribution is concerned.

Mr. NICHOLSON: Can the minister tell us whether Mr. Ford controls fifty per cent or more of the stock in the Canadian company?

Mr. HOWE: I do not know.

Hon. R. B. HANSON (Leader of the Opposition): I am glad that the hon. member has acquitted me of any motive of this kind in starting this discussion. When I asked the question which I did ask, it was designed not to draw any special statement from the government at this time, but to call attention to what I considered an improper attitude on the part of a great industrialist in the United States, and to accentuate it—that, and that

alone. Public opinion in Canada, and I believe in the United States at this time, will deal with Mr. Henry Ford. I think we can leave the matter there.

I was astonished that the Minister of Munitions and Supply (Mr. Howe) deduced from my question that I had any reference to the Ford Motor Company of Canada. There was nothing in the question which would indicate that, and he must have misconceived the terms of the statement which I made. However, that is now quite clear. I should not like to have it sent out to the country that in asking the question I did, I had any reference whatever to the Ford Motor Company of Canada. I know Mr. Wallace Campbell, and I can say with very honest conviction that I believe he is one of Canada's best citizens—

Some hon. MEMBERS: Hear, hear.

Mr. HANSON (York-Sunbury): —and further than that, he will aid and assist to the best of his ability the war effort of this country and he will not charge a dollar.

In passing may I say that I wondered why Mr. Campbell went back to his executive office in Windsor, and why he is not still doing a service for the government of Canada. Perhaps the minister will at some time enlighten us and give us the truth. I am not making any charges or any insinuations, but I did wonder why Canada had lost the services of so splendid an executive. It may be that he thought he could do better work for Canada in Windsor than he could in Ottawa.

Mr. HOWE: That is what he said.

Mr. HANSON (York-Sunbury): That may be the reason, and I am not going to question it if, as the minister has suggested, that is what he said.

I believe that the hon. member who initiated this discussion on the motion to go into supply (Mr. Coldwell) has based his observations on an entirely erroneous conception of the facts. There is no doubt, as any hon. gentleman may discover for himself if he will investigate the matter, that Mr. Henry Ford and his son Edsel have not control of the Ford Motor Company of Canada; the control is in the shareholders of Canada. While those two gentlemen have an interest in the company, it is not, according to my information, a controlling interest. I believe there is a close business relationship between the Canadian and United States companies. That of course is to be expected. I suggest that on reflection, when the hon. member reads his remarks in cold print, he will regret some of the statements he has made in so far as they may be pertinent to the Canadian company. I am not defending in any degree the United States company.

[Mr. R. B. Hanson.]

Motion agreed to and the house went into committe of supply, Mr. Vien in the chair.

DEPARTMENT OF AGRICULTURE

Experimental farms service.

14. Branch farms and stations, and illustration stations, $1,309,276.

Mr. LaCROIX (Quebec-Montmorency): I read in the House of Commons debates of yesterday, page 1148, the following declaration of the Minister of Agriculture:

> Take the farm at St. Joachim. The expenditure there last year was $6,000. This year we are cutting that down to $5,125, with the intention of closing the farm. At the Cap Rouge farm we spent last year $27,851, and we are spending this year $10,564, with the intention of closing it.

I want to register a strong protest against the decision reached by the government to that effect. Is it due to war expenses?

Mr. GARDINER: It is on account of the fact that we are trying to cut down expenses in the experimental farms branch in order to release money for the further prosecution of the war.

Mr. ROSS (St. Paul's): In the estimates for 1939-40 under item 14 the amount is $1,406,427, and in the estimates before us the amount set out for 1939-40 is $1,494,706. What is the explanation?

Mr. GARDINER: The amount for this year is $1,309,276. The amount the hon. member has given is the estimate for last year.

Mr. ROSS (St. Paul's): Yes, the estimate for this year is $1,309,276. In this year's estimates the sum of $1,494,706 is set out as the estimate for last year, but in last year's estimates the amount given is $1,406,427. Why the difference?

Mr. GARDINER: Supplementaries were added later in the session.

Mr. PERLEY: The item for travelling expenses, given on page 67 of the estimates, is reduced almost by half. How is it they can reduce travelling expenses to that extent in one year?

Mr. GARDINER: Much of that expense is taken up by officials of the experimental farms branch attending fairs as judges and going to meetings from place to place. This year we are not sending these judges, owing partly to the fact that some of the fairs will not be operating and partly to our decision not to give the service. They will have to find judges nearer.

Mr. PERLEY: I understand the minister is going to start some experiments in the

production of sugar beets. Would that come under the supervision of some of the experimental farms? I refer particularly to the proposal to make such experiments in the Qu'Appelle valley.

Mr. GARDINER: The only experiments we are carrying on with sugar beets are those I mentioned last night. They are intended to determine the production and sugar content of beets in different sections of the country, and they are still going on. The suggestion has been made by the Saskatchewan department of agriculture that they intend to carry on experiments in connection with the growth of sugar beets in the Qu'Appelle valley, but that is not under this department.

Mr. HATFIELD: What is the cost of operating the farm at Fredericton?

Mr. GARDINER: A year ago it was $52,325, and this year it is $49,545.

Mr. HATFIELD: What is the revenue?

Mr. GARDINER: About $9,000.

Mr. FRASER (Peterborough West): Can the minister make a statement with regard to the forestry engineers and assistants? Some $12,000 odd has been spent in wages.

Mr. GARDINER: These are forestry engineers at Indian Head and Saskatoon respectively.

Mr. FRASER (Peterborough West): Should they not be under the forestry department? On page 118 of the estimates there is a list of forestry engineers, and under youth training there is an allotment of $448,000 for that work.

Mr. GARDINER: The forestry work done under the Department of Mines and Resources is an entirely different type of work. It has to do with the protection of forests in areas where forests grow naturally. Forestry under the Department of Agriculture consists in the management of nurseries for the production of trees for distribution among farmers.

Mr. DIEFENBAKER: In view of the decision announced by the minister last evening, that the experimental farm at Rosthern will be closed down in spite of the strong opposition voiced not only by the city of Saskatoon but also by the Prince Albert agricultural society and board of trade, I think the committee should know how that experimental farm will be disposed of. Last evening the minister indicated that some plans were being considered, but he did not advise the committee of the nature of these tentative plans, nor did he say whether it is intended by the department to dispose of this farm to private interests. A strong rumour is going round that such disposal is being contemplated. The amount of investment in the farm is something like $119,000, I am informed, and naturally those who will be directly affected by the closing down of the farm wish to be assured that it will not be disposed of to private interests. They wish to know what disposition will be made of it.

The minister says that the main reason why this and other farms are being closed down is to retain the money for war purposes, and with that there can be no disagreement. But it is difficult to understand why, at a time when economy is being practised for reasons of the war, it should have been necessary this year to increase the scientific staff of the central experimental farm at Ottawa to the extent of thirteen extra scientists with salaries of from $2,500 to $3,400 a year each. One would have thought that at a time like this, when money is needed for war purposes, if the experimental farm at Ottawa was able to carry on in the past year with the staff it had, it would not have been necessary to add so many scientists, particularly in view of the minister's statement that experimental station work will be considerably reduced during the present year and expenditures cut down accordingly. Will the minister say why these thirteen extra scientists are being appointed at this time, when reductions should be made, especially when no reason has been given for this increase?

Mr. GARDINER: Last evening I gave the reason for the increases. They are found in the figure that was dealt with last evening; it showed a difference of some $39,000. That amount is simply taken out of one list and put in another. It is found in one set of figures under "wages"; it is found in another under "salaries": The difference between the two is the next figure; I do not have it before me at the moment. But the point raised with regard to the central experimental farm involves part of that reclassification. There are not eleven more persons employed—I think the figure is eleven, an increase from 91 to 102.

Mr. DIEFENBAKER: The minister refers to agricultural scientists?

Mr. GARDINER: I am speaking here of the whole classification at the central experimental farm. The numbers are not increased, but there is a reclassification right through the service resulting in that number more, who were employed previously on wages, being placed in the civil service.

The other point relates to the experimental farm at Rosthern. The present intention is to close that farm, as I indicated last night.

There is a sufficient amount in the estimates to carry it through the present season. Before this decision was finally reached, crops had been seeded and activities for this summer started. These activities will be carried on to the end of the season, and the farm will then be closed out as far as its operation as an experimental farm is concerned. I am not in a position at the moment to state what will be done with the farm. The only thing to do is to move the stock from there to other farms as far as it is required at other farms, and to sell at auction what is not required. The natural thing to do with the land would be to sell it by auction. To suggest that there is a value of $119,000 involved merely means that we have built roads here and there throughout the farm in order to enable the public to get over the farm and see the work being carried on. Buildings have been built for experimental purposes, and expenditures have been made in planting the farm in a manner to make it presentable to the visiting public. Many of those expenditures have not produced anything valuable to persons who merely want to buy a section of land to operate as a farm, and therefore we could not expect to obtain from any purchaser anything like the amount of money so expended. But that is not what I had in mind last night when I mentioned that some inquiries have been made. The inquiries made were not by any private person or by any organization of private individuals. As a matter of fact, it was an inquiry from the government of Saskatchewan, and I do not wish at present to comment further on it because it is only in the nature of an inquiry.

Mr. BROOKS: In connection with the encouragement of the production of sugar from sugar beets, is the minister taking into consideration what effect it might have on the trade of the maritime provinces? I refer for instance to the sale of potatoes and fish in Cuba and the West Indies. As the minister knows, in days gone by Cuba was one of our best markets for the sale of potatoes from the maritimes, and the West Indies for the sale of fish. Since we have not been taking so much sugar from Cuba and the West Indies, our trade in potatoes and fish has fallen off very considerably. It seems to me that encouraging the production of sugar from the sugar beet in Canada would have a further detrimental effect upon trade which we might have with that section of the hemisphere. I understand that the West Indies trade treaty comes up for revision some time soon, and it seems to me that this matter should have careful consideration, keeping in mind conditions prevailing in the maritime provinces.

[Mr. Gardiner.]

Mr. BLACKMORE: So long as the investigation is conducted with sufficient care, we shall be completely satisfied. The hon. member will discover that the development of the beet sugar industry in Canada has absolutely no serious effect on his fish or potato trade.

Mr. BROOKS: Well, it has not developed yet; it is the future to which I refer.

Mr. LEADER: I rise to support the minister in his attempt to cut down the cost of experimental farms in Canada. Last night he declared that he takes full responsibility for this action. I want him to know that I am giving him my whole-hearted support. Since I have been a member of this house I have taken the stand that if money means anything, and we are to retrench, we could very well curtail the expenditures being made on the experimental farms. Therefore in speaking this afternoon I am just being consistent with the attitude I adopted in former years. Have hon. members taken the trouble to look at the expenditures made yearly on our experimental farms? No doubt many have. It is a fair statement that there is an annual deficit in the neighbourhood of $2,000,000 on our experimental farm operations. For last year the auditor general's report shows that the total expenditure was $2,117,002, and the revenue was only $220,303, leaving a deficit of approximately $2,000,000.

Cutting down expenditures by governments is not popular. We heard the hon. member for Rosthern (Mr. Tucker), and the hon. member for Quebec-Montmorency (Mr. LaCroix), objecting to any curtailment of expenditure in their constituencies on experimental farms. This indicates what I mean when I say it is hard to practise retrenchment. Some hon. member may ask, "Are there any experimental farms in your constituency?" I shall have to say no, but there are many splendid farms. But it is not because there are no experimental farms in my constituency that I support the minister at this time. I believe that I am speaking not only for myself but for my constituents in what I say. They know, as I know, as we all know, that the experimental farms have done much useful work in the past. In pioneer days these experimental farms did useful work in the more or less isolated districts. But I claim that they are not so necessary now, especially when we have so many, some twenty-six or twenty-seven, I believe, throughout the dominion, five or six of them in Saskatchewan. As the minister stated last night, much of the work of these experimental farms overlaps. Therefore I think it is an absolutely sound policy to close up some of them. I believe that one

farm in each province, or perhaps two in the larger provinces, would be sufficient, so I think the minister has a long way to go to tackle the problem as I would tackle it if I had the opportunity.

Last night mention was made of the work done by Seager Wheeler of Saskatchewan. We all know that this work has been recognized as being of supreme importance, not only in Canada but in the United States as well. I believe the minister also stated last night that the government at one time had entered into an agreement with Seager Wheeler under which they paid him $1,500 per annum to carry on this work. I think it was money well spent. We have a good many Seager Wheelers in Canada, and I remember on a former occasion pointing out that the government might take a little of this money and encourage men of this type to undertake work of this kind. We could cut down our expenditure by hundreds of thousands of dollars if we would adopt this method, and I believe it would have a better effect. I do not know of anything that gives a real farmer more inspiration than to see the work done by another good farmer in his own neighbourhood. This should be encouraged, and it would not cost anything like the amount we are now spending on experimental farms.

It has been said that these farms are of assistance to the live stock industry of this country. I am not going to say they have not had a good effect, but I do not believe the experimental farms have had a wide influence in the development of better live stock in Canada. I do not say they have not had some influence, but I do not think it has amounted to a great deal. There are other agencies of far greater importance that would have a great deal more influence in developing our live stock than the experimental farms, and they would not cost one dollar where we spend perhaps a hundred dollars now.

I am not going to say anything more, but I want to take this opportunity to say that I am in whole-hearted support of the minister's policy of retrenchment in regard to this project.

Mr. BERTRAND (Prescott): A moment ago the minister said the farm at Rosthern would be operated this year. Will the other farms that it is intended to close be operated also?

Mr. GARDINER: All the farms will be operated this year on a basis similar to that on which the Rosthern farm will be operated. That is, a much smaller amount will be spent, with the idea that at the end of the season we will close out the work. It will not be experimental work that will be carried on; it will be simply the work of taking care of the crops and the live stock already there, and disposing of those crops and live stock at the end of the season.

Before taking my seat I should like to answer a question asked with regard to Nappan. Last year the expenditure at Nappan was $49,116, and for this year it will be $46,685.

Mr. BLACK (Cumberland): And what is the revenue?

Mr. GARDINER: The revenue will be in the neighbourhood of $8,000.

Mr. ROWE: Is the government still operating a farm at Kapuskasing?

Mr. GARDINER: Yes.

Mr. HATFIELD: What is the number of branch experimental farms in each province.

Mr. GARDINER: There are farms at Charlottetown and Summerside, Prince Edward Island; at Nappan and Kentville, Nova Scotia; at Fredericton, New Brunswick. There will be four in Quebec after we have closed up the three we propose to close this year. There are two in Ontario, in addition to the central experimental farm which is operated for the benefit of all Canada. In Manitoba there are two; in Saskatchewan there will be four; in Alberta there will be three and in British Columbia, four.

Mr. HATFIELD: Will there be four in Saskatchewan after the one is closed?

Mr. GARDINER: Yes.

Mr. HATFIELD: There are now five in Saskatchewan?

Mr. GARDINER: There are now five, and there will be four after the one is closed.

Mr. ROWE: I do not want to delay the item, but I should like to know what is spent at the Kapuskasing farm?

Mr. GARDINER: Last year we spent $47,225, and for this year the amount estimated is $46,231.

Mr. ROWE: About the same?

Mr. GARDINER: Yes.

Mr. MARSHALL: I believe the minister said that one of the experimental farms in Alberta was to be closed. I did not catch the name of that farm.

Mr. GARDINER: It is the illustration station operated at Tranquille along with the Manyberries farm. That illustration station has to do with grasses.

Mr. MARSHALL: It does not affect the Manyberries station?

Mr. GARDINER: No, except that part of the work was carried on at the other station.

Mr. MARSHALL: How much is usually spent at that farm?

Mr. GARDINER: Last year we spent $33,000. We estimate that this year we will spend $24,783. The difference between those two amounts is largely represented by the closing of that illustration station.

Mr. PERLEY: On June 6 the minister answered a question asked by the hon. member for Melfort (Mr. Wright) with respect to the dismissal of one James Duffin, formerly employed as head herdsman at Melfort experimental farm. Following the appearance of that answer in *Hansard,* I received a letter from that vicinity stating that it was considered that this man had been unfairly dealt with because, among other things, he had been dismissed with only a few days' notice. It is felt that the answer in *Hansard,* stating that his services were unsatisfactory, was not a fair one, and more information is desired as to why he was dismissed and also why others were dismissed shortly after, by his successor. I should like to ask the minister who succeeded James Duffin.

Mr. GARDINER: I understand there has been no replacement. I have no personal knowledge of the matter at all; I only know what was stated in the answer at the time it was presented to the house. I understand, however, that this man's services were not satisfactory and that he was offered employment as a labourer. There has been no one appointed to replace him.

Mr. DIEFENBAKER: I do not want to labour the point, but would the minister give the committee an assurance that if the experimental farm at Rosthern is sold it will be not by private sale but by public auction or tender?

Mr. GARDINER: I do not know that I should give that assurance. If the government undertake to sell the farm I believe they will try to do so to the best advantage. It is just possible that some individual may be prepared to make a private offer which would be better than we could get otherwise. I do not know. That is a matter we would have to consider at the time. I may say we have not any intention at this time of selling it to any particular person or group of individuals. However, I should not like to bind the department to any particular method of sales.

[Mr. Gardiner.]

Mr. GRAHAM: Would the minister place on record the reduction in the estimate respecting the Swift Current experimental farm?

Mr. GARDINER: There is no decrease in respect of that farm. It was $45,254 last year, and in the present year we estimate $47,952, an increase of $2,698.

Mr. EVANS: Would the minister indicate how many demonstration and illustration stations it is contemplated will be closed?

Mr. GARDINER: To secure that information, I would have to go through a list of 117 items. There are nineteen closing, and they will be spread right across Canada.

Mr. EVANS: Could the minister give the ones for Saskatchewan?

Mr. GARDINER: We closed out five in Saskatchewan a year ago, and we are closing out one this year.

Item agreed to.

Production service.

15. Production service administration, $35,785.

Mr. FRASER (Peterborough West): Does this item refer to the advertising of farm products?

Mr. GARDINER: No; that comes under marketing.

Mr. SENN: Before the item passes, I should like to make a passing reference to a gentleman who was the director of this service from the time it was instituted two or three years ago. Mr. Rothwell, who passed away last fall, was a gentleman highly regarded. He was a capable, efficient and painstaking civil servant. I am sure the country generally and the department in particular have suffered because of his death. When does the minister intend to fill the vacancy? I understand that at the present time a gentleman is occupying the position in an unofficial capacity. However, it has always occurred to me that anyone who is to do his best work, and particularly a civil servant, should have all possible authority connected with his position, and should not be forced to be only an acting official.

Mr. GARDINER: May I add my own words of commendation to those uttered by the hon. member for Haldimand regarding the work performed during many years by Mr. Rothwell? I am not in a position at the moment to say when an appointment will be made to fill the position. As a matter of fact, the work is being efficiently performed by the gentleman who before Mr. Rothwell's death acted as his assistant, a gentleman, who, by the way, is seated at the table in front of me at this moment. The appointment will, however, be given consideration at an early date.

Mr. SENN: Probably this would be the appropriate occasion to bring to the attention of the minister something akin to the matter I mentioned the other day. I refer to information being given out. A short time ago I placed this question on the order paper:

1. Has imported American bacon been used for military camps in Canada during the past three months?
2. If so, in what amount?
3. In what proportion to the total amount of bacon used at such military camps?

The answer to the first question was, yes. The answer to the second was more or less by way of an explanation or, perhaps, an apology. And then this followed:

Until late in May there was not sufficient Canadian pork to supply the export demand of pork and bacon to Great Britain. Therefore large quantities of United States bacon were allowed to enter the country to supplement our domestic requirements, and to relieve the situation in Great Britain.

Then it goes on to say it was felt that it would be unwise under these circumstances to discriminate against the United States product.

I have in my hand a copy of the Bacon Board Bulletin, No. 4, from which I should like to read one or two extracts. Table 3 on page 3 of the report shows the storage of export bacon in Canada at different periods, and it is indicated that on April 5 the total was something more than 32,000,000 pounds. Even if we shipped the total amount of bacon possible to Great Britain, and manufactured none whatever, we would still have had a considerable amount in storage. Therefore I cannot understand why the answer was given in the words I have indicated. I cannot think that United States bacon is being used in our military camps because we had not sufficient bacon in Canada to ship across the seas.

There is a further statement in this same bulletin showing that in the month of April there was a 60 per cent increase in the marketing of hogs in Canada, and I am told that at the present time and for some time past at least 10,000 hogs are being and have been marketed each week in excess of our domestic and foreign requirements. What is the explanation for the evident discrepancy in the two sets of information accorded me?

Mr. GARDINER: I am not just certain which department would supply the answer to which the hon. member referred.

Mr. SENN: It came from the Department of Munitions and Supply.

Mr. GARDINER: I presume that is the department from which it would come, because the purchases of supplies for the army are made through it. Usually those purchases are made on bids called for by the Department of National Defence.

In the light of the information available at the time I believe the answer is a correct one. I am not sure whether sales were still being made in April or May to supply the army, but if they were, they were being made on bids asked for by those responsible for army supplies.

The main reason for the answer in the form appearing in the return would be this: In December of last year we made an agreement with the British government under which we were to export to the British market something more than 5,600,000 pounds of bacon a week. At the time the agreement was signed we were exporting more than that amount a week to Great Britain. Great Britain continued to take more than the 5,600,000 pounds. For one or two weeks they took as much as 10,000,000 pounds, and I believe in one week the amount reached about 11,000,000 pounds. It was not known whether or not Great Britain would continue to take that quantity over a longer period of time. We were under the obligation, through the agreement, to deliver to Great Britain 5,600,000 pounds a week right through the summer. During the latter part of December, and in January, February and March we stored bacon in Canada to the extent of about 33,000,000 pounds, with the intention of having that bacon available to supply the British market in the months of June, July and August. The deliveries of hogs by farmers this spring have been much higher than was anticipated. Those deliveries have made it possible up to date to supply the 5,600,000 pounds per week without taking out of storage all the sides which were put in during the winter months. It is known now that we could have stored considerably less during that time, and had we done so it is just possible that more Canadian and less American pork and bacon might have been supplied to the army than was supplied to it during that time.

Mr. SENN: I do not deny the statements made by the minister, but they will hardly satisfy the hog producers that it was necessary to import American bacon, particularly to feed our soldiers.

Mr. GARDINER: Looking back on the picture I would say that that is absolutely correct. It is not a satisfactory explanation looking back, but from the other end it looked to be satisfactory.

Mr. SENN: I should like to continue with that, if I am not out of order, Mr. Chairman. I mentioned the amount in storage on April 5. Here is the next paragraph in the bacon board's report:

The board fully realize that these stocks were assuming dangerous proportions.

This was at the very time that the bacon was being supplied to the Canadian army.

However, with rumours of a March offensive in Europe and a probable change in United Kingdom requirements, a courageous view was justified and the board continued to support the price level of hogs by continuing storage.

That was done, I understand, by deducting 72 cents from every long hundred pounds of bacon sent to Great Britain, and paying the storage which has since been paid by the packers themselves.

Finally March passed with no change in the European situation. New advices from the British ministry and from Canadian representatives overseas were to the effect that we could not expect to ship any quantity over the minimum of 50,000 long hundredweight per week during the life of the contract. Our total storage position was then 27,273,502 pounds.

The next thing that happened, according to this, was that the board immediately stopped paying storage charges on bacon that was being stored in Canada, with the result that prices dropped very materially for Canadian hogs sent out by the farmers and marketed either alive or dressed. It seems to me that a serious mistake was made. The board should have continued paying storage charges and supported prices to the Canadian farmer, or we should have been using some of that Canadian pork to feed our soldiers. The final sentence in the board's statement is this:

On April 10—

That was about a month before the board said "Until late in May there was not sufficient Canadian pork":

On April 10, the board instructed packers to resume storage to their account.

So that storage has been going on again since that time. The board continues:

Hog prices closed on April 11 in close conformity with previous export levels.

Mr. GARDINER: On a point of order, Mr. Chairman, I would ask the hon. member to be good enough to postpone this discussion until we come to the marketing item, when Mr. Shaw will be here. All this information comes more properly under marketing than under production. There are explanations that can be given in reply to most of what is now being said, and I would not mind giving the explanations now but for the fact that probably some other members will be raising the same questions on the marketing item and the discussion will then be had all over again.

Mr. NICHOLSON: Is this the branch of the department which supervises the production of agricultural commodities required particularly for war purposes? Is it the branch which gives directions that there should be increased production in bacon, oats, and other commodities?

Mr. GARDINER: Any attempts that are made to increase agricultural production will come under the direction of the war-time agricultural supply board, made up of the assistant deputy and the directors of the different branches. The director of production is a member of the board, and we can deal more properly with that question when Mr. Shaw, who is chairman of the board, is here. I think it would be better if we discussed under marketing all matters having to do with bacon, and the handling of apples, cheese and other products.

Mr. TUSTIN: An agreement was entered into with the United Kingdom for the production of cheese, and according to the press the United Kingdom has indicated that it is open for a larger quantity than contracted for. If that is so, may I ask what is being done to stimulate the increased production of cheese in Canada?

Mr. GARDINER: That is another question which I think could more properly be discussed under the other item, because it comes under the supply board of which Mr. Shaw is chairman. At the moment I would say that Great Britain has made inquiries within the last ten days whether we can supply her with more cheese than was called for by the agreement, and we have notified her that we are in a position to do so. More cheese is being supplied this month than the agreement calls for. The only direct assistance which has been given to encourage the greater production of cheese was that given last year under the Cheese and Cheese Factories Act, which provided for the payment of a bonus of one cent on the higher grades of cheese.

Mr. TUSTIN: I shall be very glad to postpone further remarks until we reach the marketing item.

Mr. SENN: Marketing and production are very closely related; successful marketing, generally speaking, has an immediate effect in increasing production. If we are to postpone our discussion until we reach the marketing item I think we should have some assurance from the minister that he will not at that time restrict the discussion of production generally.

Mr. GARDINER: I think that might very well be allowed, Mr. Chairman. We are concerned not merely with production in peace-time but also with efforts to step up production because of the war, in order to supply the British market and others who are

associated with us in the war. That will be done under the direction of the supply board, of which Mr. Shaw is chairman. But the work will actually be done by these staffs, and if you will permit it, Mr. Chairman, I should like the committee to be free to discuss along with the question of marketing the whole question of the necessity for greater production because of the war, because marketing has a special meaning now with reference to making arrangements with the British government for supplying our products.

Mr. SENN: That is what I had in mind. The committee should be enlightened on a number of questions having to do with the organization of the department for war production, the policies contemplated or in effect, the information that is being given to the public to stimulate greater production in certain lines. With the minister's assurance that we can discuss all these matters under marketing, I am perfectly satisfied.

Mr. ROWE: I agree with the minister's suggestion that much of this discussion on production might be postponed until we reach the marketing item. Nothing is more calculated to discourage necessary production in this country, especially of bacon, than what has happened in the way of importation of United States bacon. However, I will leave that subject until we reach the item of marketing service.

This production service is closely allied with the subject of experimental farms and the educational advantages to be derived from departmental services in general. I agree that the government is justified in reducing expenditures wherever it can, and particularly those relating to fairs and exhibitions. But there is now a greater necessity than ever for the intelligent application of science in the production of agricultural commodities. Hardly anything is more vital to our war effort. We face a shortage of labour, and probably, increased costs of gasoline and all that it takes to produce foodstuffs for the war. While I agree with the reduction of expenditures on many items, I would recommend that this branch of the department be careful about reducing expenditures having to do with scientific methods of production.

The department might be wise to give consideration to a broadcasting service to the farmers of this country for fifteen minutes or half an hour daily. The cost should not be excessive. From time to time we receive pamphlets and blue-books containing excellent articles written by the efficient technical officers of the department. But, I regret to say, too often these publications are not read, and in my opinion such valuable information as they contain could be more effectively distributed through daily or twice-weekly talks, which would have a far-reaching effect in assisting farmers to achieve a high quality of product and economies in production. The talks might deal with such matters as the handling of live stock at certain seasons of the year, namely the late fall, early winter, early spring, late spring, and early summer; the handling of dairy cattle in the fly season, of sheep and lambs in the early spring, and of lambs in the early fall or at the weaning period. We have from time to time an accession of new farmers and their families who have had no agricultural background and who would benefit considerably by a service of this kind.

In the early part of the season many farmers are endeavouring to produce fruit, vegetables, butter, poultry and eggs. A programme of seasonal education by radio broadcasting could be inaugurated with great advantage to the industry generally and at a reasonable cost, which could be financed through some of the reductions which are being made, I may say wisely, in other directions. No doubt there are expenditures which are quite justified in normal times and might be renewed after the war, but which even the minister would not attempt to justify in these difficult days. A service having to do with the science of more economical production of commodities so essential to our war effort should not be reduced; on the contrary it should be supplemented by a broadcasting system of the type I have mentioned. Almost every farmer has a radio, and at a fixed time of day, say the noon hour or at any other period which seems appropriate, daily talks by the heads of the various branches of this department would have far-reaching advantages in encouraging more intelligent methods of production.

Mr. GARDINER: As to the suggestion which has just been made, we have had a radio service since the early part of 1939. This radio effort is centred principally on a half-hour farm broadcast given daily. It was started as a result of arrangements between the department and the Canadian Broadcasting Corporation. The first broadcasts were in Ontario; the service has since been extended to the maritime provinces, the prairie provinces, and throughout Ontario and Quebec—three different sections. It has proved of great value in supplementing press publicity. The latest marketing quotations for different farm products are given, together with talks prepared by the press and publicity section from information supplied by the different branches of the department. Particular stress is laid

on the seasonal aspects and timeliness of the information given. I have not had the privilege of reading or hearing all of this information—I know about some of it—but I believe it is along the line which the hon. member has mentioned, namely that when certain things are happening on the farm in a particular season, that is what is talked about on the radio, with the idea of giving assistance to persons who are farming in the different sections.

Mr. ROWE: I have listened to a number of these broadcasts, as no doubt the minister has also; but they have to do chiefly with marketing and market reports. I believe an extension of this service would be well justified by what has been done in this regard, and when other reductions of expenditure are made, it could be carried on economically—more so than by the provision of much of the literature which is being sent out. I suggest that it be encouraged.

Mr. BLACKMORE: Inasmuch as we are dealing with the increase of production, which I consider a vital matter at the present time, I would urge upon the minister the advisability of looking to the increase of our supply of sugar. No one would have imagined a year ago that we would be in anything like the desperate condition in which we feel ourselves to be to-day; most people, looking back, would say, "Who would have thought it?" It is just as possible that we shall be in an unpredictably serious position a year from now. One of the respects in which I think we ought to be looking into the future is the matter of preparing for our sugar supply.

Canada to-day is, relatively speaking, in a precarious position as regards sugar. If I understand the situation aright, we are dependent in large measure for our sugar upon supplies which come across the water. If for any reason we should lose control of the seas for a time we should be in a grave position in the matter of sugar. That danger is altogether avoidable owing to the fact that we in Canada are capable of developing to the point where we can provide our own sugar needs. Consequently, if we should find ourselves suffering a sugar shortage, there would be no small amount of condemnation coming to those individuals who had neglected to look into the future and guard against such mishap. In 1938 Canada consumed 1,050,135,014 pounds of sugar. Of that 907,121,167 pounds were cane and only 143,013,847 were beet. Every single pound of that sugar consumed could have been beet sugar. Consider the advantage that would have meant to the whole of our Canadian economy.

[Mr. Gardiner.]

May I discuss something that has troubled nearly all hon. members. The exchange value of our money depends upon our balance of trade; the more goods we buy from outside the more danger there is of our dollar being at adverse exchange. Since that is so, obviously if we consume cane sugar obtained from outside instead of beet sugar produced within, we are endangering our exchange position, and that at a time when there are many things which perforce we must buy from outside, mainly munitions of one kind or another. And our needs are likely to increase rather than to decrease in that respect as the days go by.

Of course, we could not modify our ways soon enough to bring about the desirable change in a short time, but when we remember that we are probably in for a long war, we can see it certainly would be the part of wisdom to prepare for such a protracted struggle. One of the matters we need to look to is sugar.

But there is something else we hear a great deal about in this house. Inflation has been written on every square inch of the walls of this building as a result of the industrious efforts of past ministers of finance, and our newspapers have simply blazoned it from one end of the country to the other. I wonder how many of those who talk about inflation realize that we can have inflation through scarcity of goods.

The CHAIRMAN: I regret having to interrupt the hon. member, but his line of thought and discussion is not strictly relevant to the item under consideration.

Mr. BLACKMORE: Do I understand that we are discussing the question of an increase in production in Canada?

The CHAIRMAN: But inflation is so remote from production, except along the theories of the hon. gentleman, that I fear I am obliged to ask him to keep a little closer to the item before us.

Mr. BLACKMORE: Thank you, Mr. Chairman; I shall find that easy, because I have just finished talking about inflation. I mentioned inflation merely to point out that it can be caused through a shortage of production. If anything happened to Canada's sugar supply there would be a rise in the price of sugar in Canada and that would start an inflationary movement. The danger is particularly grave inasmuch as we are experiencing a falling off in our foreign markets. Whole countries that have been good customers of ours are being destroyed, and there must be alarm in the hearts of all those who have to do with our trade. Up to the

present time we have been depending upon selling certain commodities and buying sugar with the exchange obtained. Obviously, if we lose the ability to sell those commodities, then our ability to purchase sugar will be greatly impaired.

There is another difficulty. There is the danger that we might become a burden to Great Britain in the matter of sugar. If there is one thing that Canada should above all else guard against, it is that she should not become a burden on Great Britain. Great Britain has enough troubles of her own to take care of now. In fact, I do not see why we should not equip ourselves to help the mother country so far as sugar is concerned.

All we need to do to make ourselves self-sufficient in regard to sugar is to establish seventeen more sugar factories of 1,200 tons slicing capacity per day. Alberta alone could support seven such factories in addition to the two which are now operated in the province. It takes about 20,000 acres of irrigated land to support a sugar factory of 1,200 tons slicing capacity. Alberta has 200,000 acres under irrigation. Moreover, there is land which could be made available by the application of water, which would support three more factories. This means that Alberta, roughly, could produce one-half of the sugar which the Canadian people as a whole consume. While we may not consider that important to-day, if we should fall into difficulties in the next nine months I think we would wish that those factories were operating in Alberta.

Ontario is able to produce a great deal of sugar. The county of Lambton alone can support four factories of 1,200 tons slicing capacity, and Essex, Middlesex, Huron, Kent and other counties are all excellent for sugar production. In addition to that, there are great possibilities in Manitoba, which are now beginning to be drawn upon. There are also possibilities in Quebec and in the Okanagan valley in British Columbia, as I understand.

In the light of these facts, surely there is not a member of this house who would not be ashamed of himself, and rightly so, if he discovered that his country had got into the position where it was suffering from a sugar famine and realized that by a slight change in policy all this might have been avoided.

It is not only the matter of sugar supply that is important in this connection. I have already pointed out on several occasions that there is hardly any kind of industry which can be developed that would supply more employment than the beet sugar industry. It may not be generally known that one sugar factory of 1,200 tons slicing capacity will provide work for 10,000 people. Why it is that the government of Canada, realizing the need for employment and the possibilities with regard to employment to be found in the beet sugar industry, have not availed themselves of this outlet, I cannot begin to conceive. It looks like nonsense to me. When we remember that to produce one hundred pounds of beet sugar requires twenty times as much Canadian labour as to produce one hundred pounds of cane sugar, the inadvisability of using cane sugar in preference to beet sugar is patent to all.

How far-reaching this possibility of increased employment is, may be judged by reference to the following figures, which I have from a source which I consider quite authentic. In 1933, production of 45 million pounds of sugar from beets, being about 4·2 per cent of Canadian consumption, required supplies to the following values:

Coal	$ 55,000
Sugar bags	100,000
Lime rock	20,000
Coke	9,000
Soda ash, boxes and other supplies	105,000
Freight	330,000

While the factory payroll would be $175,000 and the beet growers themselves would receive $940,000. When we bear in mind that every single item of that is completely produced and spent in Canada, the absurdity of neglecting such a source of employment is obvious.

In addition to these matters, the possibility of developing live stock production on the farms is great. In my own constituency in the year 1937-38 there were 40,000 sheep and 10,000 head of cattle fed on the pulp, beet tops and betalasses, and the hay resulting from the rotation of crops practised in the beet sugar industry. How great is the value of having the beet tops may be judged from this simple fact, that at topping time the beet tops from a yield of twelve tons to the acre are estimated to be equal in value to two tons of alfalfa hay or 1·3 tons of barley. This is the finding from experiments conducted at the agricultural college at Bozeman, Montana.

This is not a matter to be lightly regarded. It all helps to show how valuable to the Canadian economy is the beet sugar industry, quite apart from the question of the supply of sugar. The railroads derive a great benefit from the beet sugar industry. They gain at least twice as much revenue from beet sugar as from cane sugar. The railroads are called upon to haul the beets to the factory, the coal to the factory, the limestone, coke and other supplies to the factory, the beet pulp out of the factory to the feeders, the beet molasses out of the factory and the cattle to market.

We in this country have been considerably worried about our railroads. If they are to have a chance to make adequate earnings, we must build up such conditions as will enable them to do so. Surely a healthy beet sugar industry is one that will aid the railroads by helping them to help themselves.

Some people ask whether the beet sugar industry is economically sound. They ask, is it a going concern or does it have to be subsidized? Let me give a few items to indicate to what extent the beet sugar industry is a sound and going concern. Mr. T. George Wood, president of the Canadian Sugar Factories Limited, which owns the two factories in my riding, reported in March, 1938, that in 1937 there were 19,829 acres in use raising sugar beets; that on that area an average of 11·88 tons per acre of beets was raised, that there were 75,603,700 pounds of sugar produced, or 3,813 pounds per acre. There is not in Canada any place where an acre of land can raise as much human food as in the beet sugar area of my constituency. and I fancy in any other constituency where the beet sugar industry flourishes. Altogether there was $3,040,000 worth of sugar produced. I have not any comparative figures, but I would say that this would probably be one of the major items of income in my constituency. The gross return to the farmers was $155 per acre. Of that, $77.50 went to the manufacturer and $77.50 to the farmer, out of which he had to pay $25 for hand labour and $35 for other expenses, leaving him net $17.50 per acre, which I believe will be recognized as a pretty good return. And if the farmer were in a position to use his own children to do the work, it is estimated that he would gain about $42.50 per acre. It is interesting to find that under the existing set-up the government of Canada took for every acre of beets in my riding $38.13. If anyone can tell me any place in Canada where the government income from an acre of ground is more than that, I shall be interested. They get that from the levy of one cent a pound excise tax which to the raisers of beets is an abomination.

While on this question of whether the beet sugar industry in Canada is economically sound, may I put a few more figures before the committee? The yield per acre in Alberta was as follows:

Year	Alberta	United States
1938.....	12·89	11·8
1937.....	11·88	11·77
1936.....	11·29	11·6

This indicates that Alberta can produce more tons per acre than the United States.

[Mr. Blackmore.]

Yet the United States looks upon the beet sugar industry as a going concern, economically sound. They were slightly ahead of us in 1936. In 1929 Great Britain had a yield of 8·7 tons per acre and in 1930 a yield of 8·8 tons. For some reason or another Great Britain is able to subsidize the beet sugar industry while Canada never thinks of doing so. Canada looks upon it as an object of prey, which is an astonishing situation.

Now what about the sugar content of Alberta's beets? In 1929 it was 18·19, which is very good; in 1930 it was 15·95; in 1931 it was 18·34 and in 1932 it was 17. I have only two figures for Great Britain; one of these is 17·67 and the other 17·74. Alberta beets have had a sugar content superior to that of beets grown anywhere on the north American continent with the exception of California.

When we have such conditions given us by providence, surely we are neglecting our duty if we do not take advantage of those conditions for our own benefit. Some people may ask whether the beet sugar is as good as cane sugar. Just a moment ago I was told that in some parts of Ontario cane sugar is being sold at 15 cents a hundred pounds more than beet sugar. This indicates that there is a sales resistance against beet sugar which is founded upon lack of information. Some may be inclined to doubt what I have said. I do not ask them to accept my words, but I will read some statements they will have a hard time doubting. I have here a statement by Doctor Ralph C. Huston, dean of applied science, Michigan state college, to this effect:

> Beet sugar and cane sugar are identical chemically, and when thoroughly purified, they may be used interchangeably.

Then Faith R. Lanman, director of the school of home economics, Ohio state university says:

> We believe that pure beet sugar gives the same results as pure cane sugar when used in the making of preserves, jellies and jams.

Ordinarily the propaganda against beet sugar takes some such form as this: Well, your jelly will not jell so readily, and your preserves will not keep so well, or some other such fallacy. Circular No. 33 of the university of California college of agriculture states:

> The utter folly of this idea that beet sugar cannot be used for canning purposes is emphasized by the fact that practically all the sugar used in Germany and France for the purpose of canning and preserving is from the beet, and for many years, American refined beet sugar was used without complaint in this country, because the mass of the people were not aware that it was derived from the beet.

As a final bit of evidence let me cite this:

Edmonton, Alberta.

We to-day analysed two samples of Alberta sugar and found the sugar content of both to be 99·9 per cent. Please advise me if you wish any special analysis or just the sugar content.

James A. Kelso,
Provincial Analyst.

Those four authorities ought to dispose quite effectively of the rumour, apparently inspired, that in some way beet sugar is inferior to cane sugar. I think it must be apparent that anyone endeavouring to justify the fact that for these many years Canada has neglected the development of her beet sugar industry certainly is taking upon himself an arduous task.

Some will ask what we are going to do about the matter. I believe the minister said something about this last night. He indicated that it might not be possible to sell the beet sugar from the west at any great distance; that is, we would be able to manufacture only the sugar that could be sold in the west. Well, Mr. Chairman, that may be all right under our orthodox ways of doing things, but I judge that if we had a sugar shortage we would very soon find an effective way of getting that sugar from Alberta as far as Prince Edward Island. The big thing would be to have the sugar there. Even under our present ways of doing things we could easily get it there. What would be wrong with refunding 75 cents out of each dollar that we levy upon the beet sugar industry, thereby giving beet sugar a chance to compete successfully with cane sugar? Is there any reason why we should not pay part of the freight rates on beet sugar?

Surely if we want to encourage that industry we can do something for it. When we bear in mind that there are only three countries on the face of the earth that do not do something to definitely help their beet sugar industry, and that those three are such small countries as Java, Peru and Santo Domingo, I think Canada and Canadian statesmen of the past stand condemned. I hesitate to mention Germany; in fact I would not dare do so if I were not referring to a time before Hitler came to power, but between 1870 and 1903 Germany paid total subsidies of $340,000,000 in order to develop her beet sugar industry. If she had not done that she would be utterly helpless before her foe at the present time. Not only did she render herself largely self-sufficient in the matter of sugar; at the same time she increased her yield of cereals from 14 bushels to 34·9 bushels to the acre. In 1937 Great Britain subsidized her beet sugar industry to the extent of £1,217,000, but all during this period Canada has been preying upon her beet sugar industry. The United States guarantees its beet sugar industry 55·59 per cent of the home market. Surely we could do that if we wished to encourage our own industry.

I do not wish to spend more time on this, Mr. Chairman, but there are one or two other things that probably should be said. We could establish quotas against sugar coming in from other countries, so that we would be able to use our productive capacity as rapidly as we could develop it. Then there would be no possibility of the price of our sugar being increased. We would simply reserve the market for our own production, which is common sense. We could modify the freight rate on stock shipped to feed lots, and on pulp, betalasses and so on shipped out. We could modify the freight on beets shipped in as well as on sugar shipped out, and in addition we could investigate the operations of the refineries, both cane and beet sugar, to see if the profits are too great or if there are any unfair restrictions placed upon beet sugar to the advantage of cane sugar. All of this can be done without raising the price at all. But some will say: You would raise the price for Canadians. That is not necessary, at all. The price of sugar in Canada is low, when compared with prices in other countries. I have before me figures based on the 1936 level which indicate that per one hundred pounds of sugar the prices were as follows:

U.S.S.R.	$34.60
Italy	14.79
Germany	13.95
Netherlands	11.72
Czechoslovakia	9.86
Turkey	9.11
Portugal	8.56
Australia	8.19
Union of South Africa	7.16
New Zealand	7.16
France	7.07
Irish Free State	7.07
United States of America	4.93
Canada	4.84
Argentina	4.84

This set of figures indicates that only one country on the face of the earth gets its sugar more cheaply than does Canada, and the beet sugar was competing successfully in that market. To say, then, that beet sugar cannot be produced economically is to make a statement too rash altogether for anyone to accept. I urge the minister, if he does not mind my doing so, to look into this matter of beet sugar and to develop the beet sugar industry as rapidly as possible.

Last year we were confronted with the statement that Canada foolhardily—and I put in the word "foolhardily" because I mean it, and I should like to write it in red—undertook in 1937 not to increase her sugar produc-

tion, and that that undertaking was given by international agreement. An undertaking of that kind, one so manifestly unjustifiable, certainly should not bind Canada in these times. Therefore, notwithstanding that commitment of Canada, I urge the minister to go forward and to develop the beet sugar industry in Canada while yet there is time.

Mr. NICHOLSON: Mr. Chairman, I have been deeply interested in the observations of the hon. member for Lethbridge (Mr. Blackmore). In view of the minister's statement to the effect that Canada produces about fifteen per cent of her sugar consumption, I believe the suggestions of the hon. member for Lethbridge might well be considered. One of my constituents living near Hudson Bay Junction lived for a number of years in a section of France where large quantities of sugar beets are grown, and while in western Canada he has carried on a series of experiments with seed imported from various countries of Europe. It is his considered opinion that the soil and climatic conditions in northern Saskatchewan would be conducive to the successful production of sugar beets. In view of the changes now being made in our national economy it seems to me the minister might find it worth his while to consider the increased production of this crop.

Could the minister give the committee any information respecting the cost of installing the necessary equipment for the refining of sugar beets? It was said last night that the sugar beet industry is carried on successfully in areas where favourable freight rates could be obtained.

Mr. GARDINER: I am not in a position to give exact figures, but from the point of view of capital expenditure the cost is enormous.

Mr. HANSON (York-Sunbury): A million dollars.

Mr. GARDINER: The Manitoba government voted $600,000 to encourage the production of sugar but that was by way of a guarantee and was not the total cost. I should imagine an expenditure of a million dollars would be required to install a plant of the type mentioned.

Mr. HANSON (York-Sunbury): Plus working capital.

Mr. BLACKMORE: Between a million and a million and a quarter.

Item agreed to.

Progress reported.

At six o'clock the house adjourned without question put, pursuant to standing order.

[Mr. Blackmore.]

Thursday, June 27, 1940

The house met at three o'clock.

RAILWAYS AND SHIPPING

CONCURRENCE IN FIRST REPORT OF STANDING COMMITTEE

Mr. J. P. HOWDEN (St. Boniface) presented the first report of the standing committee on railways and shipping owned, operated and controlled by the government, and moved that the report be concurred in.

Motion agreed to.

BUSINESS OF THE HOUSE

SUSPENSION OF ORDER FOR PRECEDENCE OF GOVERNMENT BUSINESS WITH RESPECT TO CERTAIN PRIVATE BILLS

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, there were on the order paper last Monday six private bills dealing with incorporations and amending charters. They deal with the proposed Alberta Bank, the Pool Insurance, the Stanstead and Sherbrooke Insurance Company, the Ottawa Electric Company and the Ottawa Gas Company, the Detroit and Windsor Subway Company, and the Cedars Rapids Manufacturing and Power Company. The promoters of these bills have gone to the expense of advertising and paying the fee required by the House of Commons. Some of them have also hired solicitors who are ready to act as parliamentary agents before our committees when these bills are under consideration. The notices required under our rules have been given in the newspapers and the *Canada Gazette*. All this will be lost if the bills are not proceeded with during the present session. They are debarred by the order passed in the house on the May 21, 1940, but it would be an easy matter to take them up now, which can be done by the adoption of the following resolution:

That the order of the 21st May, 1940, appointing the order of business of the house for the present session be suspended with regard to such private bills as have already been introduced in the house.

Hon. R. B. HANSON (Leader of the Opposition): Does that apply to the divorce proceedings?

Mr. MACKENZIE KING: Yes.

Mr. HANSON (York-Sunbury): I have no objection at all. I regard the suggestion as a good one; it is one which had occurred to me when the Prime Minister (Mr. Mackenzie King) was taking away all the rights relating to private members—

Mr. MACKENZIE KING: Not all.

Mr. HANSON (York-Sunbury): —at a very early stage of the session. At that time, I believe, not one of these bills had been introduced. Of course the government must have or should have known that there was legislation on the way. I think this is a proper move. The expenditure which has been made should not be lost. Business would suffer—not to mention the bills for the relief of certain persons.

Motion agreed to.

BRITISH CHILDREN

ARRANGEMENTS AND FACILITIES FOR EXTENDING HOSPITALITY OF CANADA FOR DURATION OF WAR

Hon. T. A. CRERAR (Minister of Mines and Resources): Yesterday the hon. member for St. Paul's (Mr. Ross) addressed a question to me with regard to the movement of British children to Canada. I intimated to the house then that I would probably make a statement to-day and I wish to do so now.

In view of the widespread interest in this country in the matter of British and refugee children who may come to Canada, I wish to give to the house, and to the public generally, an outline of what has already been done and our plans for the future, so far as we have been able to formulate them.

At the outset I wish to distinguish between British children and refugee children, or refugees generally. The latter are those who came to Britain following the invasion by Germany of Holland, Belgium and, later, France. On the advice we have received, contrary to the general belief in Canada there are—or at any rate there were up until a week or ten days ago—only about 2,900 Belgians and 150 Dutch refugee children in Great Britain, and of these it was estimated 125 to 150 were unaccompanied by parents. This, of course, does not include those children and adults who had reached Britain prior to, and following, the attack on Poland, from Austria, Germany and Poland itself. It was reported to us last February by our immigration officials in London that at that time these totalled less than ten thousand, approximately ninety per cent born in Germany and Austria, about the same percentage being Jewish, most of whom had been absorbed into the normal life of Great Britain.

The movement which is by far of greatest interest to Canadians is the movement of British people, mainly children, to Canada. This movement is of two kinds.

The first is made up of all those coming on their own and paying their own way. These include a few men, some women and many children who, if they can get a release of their funds in the United Kingdom, can come here and support themselves, and those coming to join relatives or friends in this country who have offered them homes. This movement also includes residential schools moving as a body to locate in Canada, at least for the duration of the war. Every encouragement is being given by the Canadian authorities to this movement, and delays are not allowed to occur through unnecessary investigations which might delay sailings.

We have been advised that, under the present British regulations, no person, male or female, between the ages of sixteen and sixty may leave Great Britain without a permit. In addition to this, some difficulties have arisen owing to the fact that the United Kingdom government restricts the free movement of sterling exchange. Within the last week or ten days we have had quite a number of requests from British-born people resident in Canada, and from others, asking if we cannot do something to help their relatives and friends in the United Kingdom secure permission to transfer sufficient of their own funds to enable them to come to Canada and maintain themselves in this country. While it is recognized that this is a matter wholly for the United Kingdom government to decide, we have urged on our high commissioner in London that he strongly support the effort to have sterling exchange released for the necessary monetary support of those who wish to come to Canada on their own resources.

The other, and larger, movement is the one which, as I have said, arouses the most interest in Canada, namely the movement of British children who can come only if transportation is provided and free homes are offered here. Several weeks ago, after the successful invasion of Belgium, Holland and France and when it appeared likely that Britain itself would shortly be subjected to severe attack, the government here, on its own initiative, offered to assist in bringing to Canada British and refugee children. That offer has been accepted by the British authorities. One of the features of this assisted movement provides for the nomination of children to designated homes in Canada. Under this arrangement parents in Britain who have relatives or friends in Canada may nominate their children to be brought out and placed in these homes.

There will be included in this movement children from five to fifteen years of age inclusive, with possibly a small number under five years, if available for adoption in Canada. In every case, we are advised, the consent of parents or guardians must first be obtained.

Ocean transportation arrangements will be made by the United Kingdom government, which will supply ships and pay ocean passage. Some days ago the Prime Minister (Mr. Mackenzie King) mentioned in the house that there would likely be a movement from Britain to Canada of internees and prisoners of war, and it is expected that the British government may decide that these must move before the children.

The dominion government will use its medical examiners and its immigration officers overseas for examination of the children before sailing. It will be necessary to keep careful records so that identity may be preserved and the children thus enabled to be reunited with their parents, either here or at home, after the war is over.

The dominion government will look after the reception of the children at Canadian ocean ports, will provide rail transportation with proper meals en route and will carry them to the provincial distribution centres. Nurses will be placed on each train carrying children and an immigration conductor or conductress will be on each car.

Under arrangements worked out between the dominion government and the provinces, the latter will have the oversight of reception, placement and after-supervision. In doing this they will utilize the services of child welfare and other organizations in the various provinces who have the experience necessary to handle this part of the task. The provinces, and the organizations cooperating with them, are now engaged in receiving offers of homes and examining the suitability of these homes for the reception of the children after their arrival. Following the recognized practice in all the provinces, care will be taken to place children in homes of their own faith, by which I mean non-Roman Catholic children will be placed in non-Roman Catholic homes, Roman Catholic children in Roman Catholic homes and Jewish children in Jewish homes.

Many splendid offers of cooperation have been received from churches, from national and local organizations and from individuals willing and anxious to help in this great work of saving thousands of children from the mother country. There is room for all in this voluntary effort. I should like to emphasize here as strongly as I can the necessity for their being one recognized central authority in each province for placement and supervision, and that such central authority be the provincial department dealing with welfare matters. It would greatly facilitate the work of administration if those desiring to help in any way would first of all get in touch with the appropriate provincial department.

[Mr. Crerar.]

Foreseeing the necessity for close provincial-federal cooperation if this work were to be successfully handled, we invited the provinces to send their welfare experts to a conference which was held in Ottawa on the 3rd and 4th of June. The plan of operation being followed is largely that devised and recommended by this conference. I wish to place on record here our appreciation of the splendid cooperation we are receiving from the provinces.

Immediately following this conference we offered to take ten thousand as an initial movement, whom we felt certain could be placed in private homes; but that did not by any means limit the movement to that number. The task we have undertaken is to place many thousands in good private homes in Canada for the duration of the war. This is a form of war work which is well worth while. It is measured not by money but by service; and for this reason I have no doubt that the response of those who can offer homes will be widespread. But there are many in Canada who cannot offer a home, single persons and others who have not suitable accommodation. May I suggest to them the possibility of cooperating with some home which has taken a child, and sharing the expense of food and clothing. In this way the burden will be more equally shared and the circle of those who can help enlarged.

Up to the present the British government have not been able to give us any estimate of the number who are likely to come. My own impression is that it may well reach very large dimensions. With this possibility in view I have been conferring to-day with the provincial ministers in charge of welfare work in their provinces, to consider further plans for a greatly extended movement, should this become necessary.

I have not said anything about the expenses involved beyond what is paid by the United Kingdom government and the dominion government in transportation and services. There will necessarily arise expenses beyond this for such items as medical care, hospitalization, or other unforeseen contingencies. The matter of how these will be met has been under consideration, and a decision will likely be reached in a few days. If a private home could be found for every child, where lodging, food, clothing and education could continue to be provided free, the expense to the provinces and to the welfare societies would consist largely of increased staff to look after the welfare of the children. We must, however, expect and plan for difficulties which are bound to arise through the failure of some children to fit into the homes where they are placed, the need for hospitalization, and other costs that are inseparable from handling such a large number.

When the magnitude of the movement can be better determined it may be advisable to make an appeal throughout the dominion for funds to help take care of the expenses that are bound to come. I might add that we are planning to set up a dominion-wide organization in the nature of a supervisory board or committee, and probably a liaison officer or local committee in each province to work in cooperation with the provincial authorities.

The house will agree with me that these proposals constitute a unique adventure. I am sure the Canadian people will understand and sympathize with the difficulties and anxieties of parents in Britain who have to decide on the matter of parting with their children, to be moved thousands of miles away into the care of strangers. This thought I am sure is in the minds of thousands of Canadian mothers and fathers to-day. Nevertheless there will be some difficulties. The warmth of the welcome given in some homes may become cooler; in some cases the child, because of the complete change in environment, may become a problem. Notwithstanding these and other problems which may arise, I am sure we may depend upon the overwhelming and continued support of the Canadian people.

Just a few minutes before I came into the chamber a cable came in from our high commissioner. This was partly in reply to a cable dispatched to him several days ago, dealing with the question when we may expect children and in what numbers, because it is necessary for us to have as much information on that as possible, in order that we may plan a little ahead their distribution and care. The cable says:

> Anticipate 3,000 will arrive approximately middle of July and a further 750 each five days from then up to July 25. Will send details as soon as available.

The details, I assume, would be as to number of boys and girls, religious faith, and similar information. This message would indicate, I take it, that up to July 25 we may receive from 5,000 to 5,500 children.

QUESTION RESPECTING "CALLING CANADA" ADVERTISEMENT IN NEWSPAPERS

Mr. PAUL MARTIN (Essex East): Mr. Speaker, I have had brought to my attention an advertisement which has recently appeared in the *Evening Telegram* of Toronto and in a number of newspapers across Canada, and which I am advised has been refused by a still greater number of newspapers. This advertisement is purported to be given out by a group calling themselves "Calling Canada". This advertisement is headed "Calling Mr. King" and the text is as follows:

> English mothers rush to evacuate children.
>
> Geoffrey Shakespeare, parliamentary secretary for the dominions, told a press conference that Great Britain has given up plans for immediate mass evacuation of children from the British Isles to the dominions.
>
> The dangers of transportation and lack of adequate reception facilities were given as reasons.
>
> Hitler's bombers will raid England to-night, to-morrow night and the next night.
>
> The battle of Britain has begun.
>
> The slaughter of children is beginning.

Then follows a picture of a poor child crying. Below the picture is the following:

> How's your conscience, Mr. King?
>
> For over a year thousands of Canadian homes have been clamouring for a chance to take the children in, pleading for a plan to meet this hour.
>
> You have been the obstacle.

Mr. Speaker, I ask the government and the house two questions: Is this not a matter far beyond the standards of fair comment or criticism? Does it not call for immediate consideration by the government?

Right Hon. ERNEST LAPOINTE (Minister of Justice): Mr. Speaker, the advertisement to which the hon. member has referred is certainly a dastardly attack upon the Prime Minister (Mr. Mackenzie King), and the facts being false makes the comment still more malicious. I am not prepared to say that it comes under the defence of Canada regulations dealing with subversive literature, though I do not know anything better calculated to create disaffection and to hamper war work in Canada. I shall submit this matter to the law officers, and at the same time ask the Secretary of State (Mr. Casgrain) to obtain a report from those in charge of press censorship. I myself believe that "Calling Canada" should be called to some sense of propriety.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, I do not wish to say anything with respect to this particular advertisement as such, but I do feel that inasmuch as some days ago I advised the house that there would necessarily be a delay in connection with evacuated children coming to Canada, on account of the desire of the British government to use transportation facilities for the distribution of alien internees, I ought now, in view of what is set forth in the advertisement, to make it quite clear that in that statement I was quoting from official documents.

This advertisement has appeared since I made the statement in the House of Commons that it would not be possible to have the children come without priority being given to interned aliens. I have in my hand some

documents which I shall send later to the leader of the opposition (Mr. Hanson). First there is a communication from the High Commissioner for Canada in Great Britain to the Secretary of State for External Affairs. This communication dated June 5, 1940, states:

Dominion office state that question of evacuation of internees has now, for various reasons, become very urgent. In the circumstances they would be grateful to receive the Canadian government's decision on the point at earliest possible date and in advance of any decisions on refugees and children.

Then subsequently, on June 13 there is a further communication from the High Commissioner for Canada to Great Britain to the Secretary of State for External Affairs, as follows:

Ministry of shipping, after considerable discussion, have agreed to the use of troopships for any returning civilian personnel we desire to send thereon, though they state that service regulations here restrict such passages to personnel whose passage is paid for by the government. We can, therefore, use these ships for evacuee children, stranded Canadians, wives and dependants of officials being repatriated at the government's expense and wives and dependants of officers paying their own expenses. Arrangements regarding issue of tickets, assembly of passengers and transportation to ships has had to be made by this office. Understand that Ministry of Shipping may request us also to send internees on ships in question. This might complicate arrangements regarding evacuee children if these were ready for first convoy which will be end of this month or beginning of next. Feel, however, that evacuation schemes will not be completed by then.

These two communications make it perfectly clear that it was the wish of the British government that as between interned aliens and evacuees priority should be given in the order indicated here.

I have another dispatch in my hand which I shall permit the leader of the opposition to read, because it indicates that when, in explaining the situation the other day, I made reference to this order of preference, I did to some extent embarrass the British government in relation to British internees in Germany, in making any reference to German internees coming to Canada before the German government had been advised, through neutral channels, of the fact by the British government. I mention that only to indicate how very much embarrassed one in my position is when, not having one's word accepted with respect to actual facts governing the case, he has to disclose information prematurely or submit to misrepresentations of his position.

Hon. R. B. HANSON (Leader of the Opposition): I hope my right hon. friend will acquit me of having any desire to misrepresent him. The fact of the matter was that I had received information of a very reliable kind, from Montreal, that passenger ships were arriving on this side half empty. It did seem to me to be a pity that the opportunity should be lost of bringing some of these people over here. I was actuated solely by humanitarian considerations and had no thought of any other question being involved. I certainly had no desire to impugn the honour of the Prime Minister.

[Mr. Mackenzie King.]

MINIMUM WHEAT PRICES

MOTION FOR ADJOURNMENT TO DISCUSS MATTER OF URGENT PUBLIC IMPORTANCE

Mr. E. E. PERLEY (Qu'Appelle): Mr. Speaker, under standing order 31 I desire to move the adjournment of the house for the purpose of discussing a definite matter of urgent public importance, namely, the action of the government taken to establish minimum prices for certain grades of cash wheat in store Fort William and Port Arthur, to December 31, 1940.

Mr. SPEAKER: While the hon. member must take the responsibility for making the motion, yet according to our rules he must make a prima facie case that there is that question of urgency, to which objection might be taken by other hon. members. I would ask that the hon. gentleman give the reasons for the urgency of such a motion.

Mr. PERLEY: The action will involve the disposal of one of the largest crops we have ever had in western Canada as well as of the 1940 crop up to the end of the present calendar year. I think that is a matter of urgent importance. It involves the present situation, and a change of policy without notice being given to the public or to this parliament is a matter that should be discussed here and now. The public wants to know the government's policy, especially in view of the announcement which, I am informed, was made yesterday on the Winnipeg grain exchange instead of in this house. Last night I was called by a press man in respect to an inquiry he had received from Wall street as to the action taken by the government on the grain exchange yesterday. It is that matter that I want to discuss.

Mr. LAPOINTE (Quebec East): Resort to the procedure which my hon. friend has adopted is restricted not only to matters of special urgency but to matters which cannot be discussed in any other way. I would refer your honour to paragraph 244 of Beauchesne, under standing order 31:

Motion for adjournment regarding matters for the discussion of which the committee of supply

or other appointed business would afford an early opportunity have been ruled to be out of order.

As late as yesterday a question was discussed on the motion to go into supply, by the hon. member for Rosetown-Biggar (Mr. Coldwell). This matter could well have been discussed on such a motion; it can be discussed at any time before going into supply, or in supply on certain estimates. I do not see that this is one of the matters that can be raised in the house under this very limited rule.

Mr. PERLEY: The Minister of Justice (Mr. Lapointe) says that this must be a matter that cannot be discussed in any other way. May I remind him that on several occasions since May 16 we have endeavoured to obtain a statement from the Minister of Trade and Commerce (Mr. MacKinnon) as to when we would have an opportunity to discuss this all-important question. We have been put off by being told that it was under consideration. It has been under consideration for a month or more, yet I understand that yesterday a definite announcement was made which should have been made in this house. Therefore I say we have not had an opportunity of discussing this question.

Mr. HANSON (York-Sunbury): With regard to the point of order raised by the Minister of Justice, and his reference to paragraph 244 of Beauchesne, I submit that next to the war itself the subject of the motion of the hon. member is one of the most urgent matters this house can discuss. The question of the disposition of our wheat carry-over and of this season's crop is of extreme importance, and no early opportunity is available to this house to discuss it, since the order for the day is the budget debate, which may go on for a week or ten days. Furthermore, the hon. member for Qu'Appelle (Mr. Perley) has indicated that an opportunity has been sought on several occasions, and we are all aware that this is a fact. The minister has been asked as to the policy of the government with respect to this matter, which we all agree is very serious and important; and the reply has been that it was still under discussion and consideration. Then what happened? Announcement was made in the Winnipeg grain exchange, outside of this house and while this house is in session. This is a very important point which I think should not be overlooked. On more than one occasion this session I have tried to impress upon the Prime Minister and the members of the government that this sort of thing is all wrong and should not happen. This is a matter of urgent public importance, and the Minister of Justice has not indicated that it may be discussed on an early occasion.

Mr. LAPOINTE (Quebec-East): It could be discussed this afternoon in the budget debate.

Mr. HANSON (York-Sunbury): Theoretically that may be correct; practically it is not possible, as no one knows better than the Minister of Justice. He knows that arrangements were made, to which I agreed, that the budget debate should go on this afternoon, but this matter arose after that arrangement was made. I suggest to the Prime Minister and the Minister of Justice that, small in numbers as we are over here, if they want to get cooperation in their war effort they had better show a little reciprocity in a matter of this kind.

Some hon. MEMBERS: Oh, oh.

Mr. HANSON (York-Sunbury): All right. That is not a threat; it is a promise. If I have to I will go so far as to make an appeal to the Prime Minister to let this question be debated this afternoon. I do submit that in the interests of the producers of western Canada, of the people of Canada and, may I say, of the treasury of Canada, the matter ought to be discussed in the house this afternoon. Let the debate go on; it will not take very long. This thing has been smouldering for a month or more and it ought to be debated now. I am told that instructions have gone out to the western country, through a group of grain companies, not to buy any more wheat, and that buying has ceased. I do not know whether that is true, but if it is true it is a mighty important thing to the western producer.

Mr. MACKENZIE KING: I am sure my hon. friend the leader of the opposition (Mr. Hanson) will agree that it is not desirable, if it can be avoided, to create precedents which are likely to prove embarrassing on future occasions. If there were no opportunity for the hon. member for Qu'Appelle to speak to-day on the subject he has brought up as one of urgent public importance, I should go a long way to meet the request of the leader of the opposition, despite the embarrassment it might create later on. But I do point out to him that this afternoon, following the remarks of the hon. member for Danforth (Mr. Harris) who is to be the first to reply to the Minister of Finance in the budget debate, the hon. member for Qu'Appelle might have an opportunity to take up the subject to which he has referred. It would be quite in order for the hon. member to speak then, and it would be quite agreeable to this side of the house to have him follow immediately after, if that is agreeable to hon. gentlemen opposite.

Mr. HANSON (York-Sunbury): That, of course, is a compromise; but unfortunately, as the Prime Minister knows, there are other groups in this house who would have to be consulted. If they will undertake to give way this afternoon I believe that would be quite agreeable, but I am not so sure that they will do so. I do not know that they have been consulted. Certainly this ought to be a matter of great importance to their constituencies, and I appeal to them to adopt the suggestion of the Prime Minister.

Mr. COLDWELL: I was about to rise, when the Prime Minister took the floor, to support the suggestion of the hon. member for Qu'Appelle. In spite of the fact that we are interested in discussing the various aspects of the budget, and are prepared to go ahead with that discussion this afternoon, I am in agreement with the hon. member for Qu'Appelle that this is a matter of public importance that ought to be discussed immediately. As far as I am concerned I should be very glad indeed to adopt the suggestion which has been made that the hon. member be allowed to proceed immediately after the hon. member for Danforth (Mr. Harris) has spoken in the debate on the budget.

Mr. BLACKMORE: All the members of our group come from wheat-growing regions. We are very much interested in this discussion, and we shall gladly fall in line in order to facilitate a discussion of the wheat problem.

Mr. SPEAKER: Then does the hon. member wish to withdraw his motion?

Mr. PERLEY: Yes.

Motion withdrawn.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

LOBSTER MARKETING—CENTRAL WAREHOUSES

Mr. BROOKS:

1. Have central warehouse depots been established for the purchase and sale of canned lobsters under the lobster marketing scheme at Halifax, Nova Scotia, Shediac, New Brunswick, and Charlottetown, Prince Edward Island?
2. If so, what is the amount being paid in each centre for (a) warehouses; (b) salaries; (c) other expenses?
3. What are the names of individuals or companies concerned?

Mr. MICHAUD:

1. Yes.
2. (a) Halifax, National Harbour Board, $58.13 per month; Shediac, Simpson Roberts Co., Ltd., $20.84 per month; Charlottetown, Charlottetown Forum, Ltd., $100 per month. (b) Halifax, W. S. Lee, assistant controller, $300 per month, Florence H. Clancey, stenographer, $60 per month; Shediac, J. A. Kelly, depot manager, $200 per month; Charlottetown, W. H. Tidmarsh, depot manager, $200 per month. Casual assistance and labour as required. (c) Other expenses are largely of unforeseen nature and not readily estimated.
3. Answered by No. 2.

QUESTION PASSED AS ORDER FOR RETURN

PRAIRIE AIRWAYS LIMITED

Mr. DIEFENBAKER:

1. Has the Prairie Airways Limited been given a contract at the airports in Regina and Moose Jaw, Saskatchewan, or either of these, by the terms of which said company will train or provide training for pilots for service in the air force?
2. If so, what are the terms respecting remuneration or payment for such training?
3. Have contracts of a similar kind or nature been entered into elsewhere?
4. If so, with whom?

Mr. POWER: Return tabled. I should like to make this observation, with the consent of the house. In connection with this return I am tabling a copy of the standard form of contract entered into between commercial companies or flying clubs and the Department of National Defence for Air. In connection with this contract there are certain syllabi which are marked for official use only, and I would therefore ask hon. members to treat them with some discretion and not broadcast them.

BUSINESS OF THE HOUSE

DOMINION DAY ADJOURNMENT

Right Hon. W. L. MACKENZIE KING: (Prime Minister) moved:

That when this house adjourns on Friday, the 28th June next, it stand adjourned until Tuesday, the 2nd July, 1940.

Mr. HANSON (York-Sunbury): May I ask the Prime Minister if we shall sit on Friday evening?

Mr. MACKENZIE KING: If we are to adjourn for Saturday, Sunday and Monday, probably hon. members will wish to leave early on Friday. We might therefore adjourn at six o'clock.

Motion agreed to.

APPLE SURPLUS

QUESTION OF FREE DISTRIBUTION TO CHARITABLE INSTITUTIONS AND DESTITUTE FISHERMEN

On the orders of the day.

Mr. J. S. ROY (Gaspe): Mr. Speaker, I wish to direct two question to the Minister of Agriculture (Mr. Gardiner) regarding the free distribution made last year in his prov-

ince, and a few others, of a surplus of apples of an estimated value of $87,000.

First, when the decision was arrived at and made known, were any representations made to have a portion of this surplus distributed to the most deserving charitable institutions in the province of Quebec, and particularly to the destitute fishermen of the Magdalen Islands? If the answer is in the affirmative, why has not this distribution been made? Second, is it the department's intention—

Some hon. MEMBERS: Order.

Mr. ROY: —to give a share to the parties I have mentioned out of this year's surplus, of which, according to the minister's statement in the house—

Mr. SPEAKER: Order. I cannot hear what the hon. member is saying.

Mr. ROY: —of which, according to the minister's statement in the house on June 6, a large part will be put at the disposal of the refugees in Europe?

Mr. GARDINER: I think the hon. member's observations should be taken as notice of question.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Monday, June 24, consideration of the motion of Hon. J. L. Ralston (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

Mr. J. H. HARRIS (Danforth): Mr. Speaker, ever since the tragedy which caused a vacancy in the treasury benches I have been anxious at the first formal opportunity to express my profound sorrow and to offer my sincerest condolences to the family of the late Hon. Norman McLeod Rogers. To the Prime Minister (Mr. Mackenzie King), his associates and all the members of this house I express my sympathy as well as that of the constituency which I have the honour to represent. The late minister's industry and application in the several departments with which he was connected offers a good example to future generations. The knowledge which he gained as professor of political science and history at Queen's university must have been of considerable assistance to the government in carrying out their onerous tasks. His last words to the Prime Minister were, "Very well; I will carry on." Those who heard those words reiterated must have been inspired. It should inspire all and act as a clarion call—"carry on, Canada."

The Minister of Finance (Mr. Ralston) will soon take over a most difficult task. I commend the government for its choice of a Minister of National Defence. The minister was a previous incumbent of this office. From his youth up he has been interested in military matters generally. The hon. and gallant member for Prince will, I know, give a good account of himself in the portfolio of defence. He has had legal training; he has been associated with the business life of this country; he has the confidence of Canada. I look forward to his accelerating Canada's war effort and inspiring our people to greater effort. Never in the history of Canada have we been asked to place at the disposal of the government a sum ranging from $600,000,000 to $700,000,000 in the short space of twelve months. We should be able to do it. Given leadership, I think we will be able to do it. I am rather in favour of the principle which was laid down, that we should pay as we go.

I shall endeavour this afternoon to follow the course adopted by the Minister of Finance in his budget speech. First, I shall discuss the economical and financial review or, as I like to put it, the financial operations of the dominion for the fiscal year. Second, I shall discuss the budget forecast or estimate of revenues and expenditures for the present year. Third, I shall take up the government accounts, or the balance sheet of the dominion for the year just closed, considering active and non-active assets together with liabilities, both direct and indirect. Fourth, I shall review our trade and commerce. In the budget speech I do not think sufficient emphasis was placed upon this feature of our work. Fifth, I shall deal with the ways and means mentioned in the budget speech for providing the necessary revenue to meet expenditures. Then perhaps I may be permitted to make a few constructive suggestions as to what should have been taken from, as the minister said in his preliminary remarks, or what should be added to the policy of the government as set out in the budget speech.

I feel that our thoughts and actions should have but one end in view, to gear everything to Canada's war effort. That will be the thought back of any observations or criticism which I shall utter in this house. By directing our efforts and actions to the war effort, we as a nation will simply be doing our duty. As I see it, our duty is to do everything possible to stop the ruthless aggressors who have been tearing down the institutions which we love so dearly. Not only are the institutions being destroyed, but the people of France and Britain are in peril as well. What matters our institutions? It is our people who are important. If I can leave but one message this afternoon it will be this: We are more than allies of Britain and France; we are part and parcel of them,

bone of their bone, blood of their blood and flesh of their flesh. I shall approach the problem this afternoon from that point of view.

In his preliminary remarks the Minister of Finance made a few references to what had taken place during the last two or three years. Should I refer to these, I want the house and the country to understand that I do so without any recrimination, without any idea of offering destructive criticism, but simply to put the facts upon the record. The minister had something to say about the wishful thinking of our people during the last three years, but he was fair enough to say that there had been a good deal of wishful thinking on the part of the government during the same period. He might have gone further and said that the government knew that we were approaching a world catastrophe. The government should have given leadership to our people and brought them out of that complacency in which they were satisfied to stay so long as their attention was not drawn to the impending tragedy.

It was, I think, Emerson who a hundred years ago said, "He that marches ahead of public opinion marches out into the night." I say that this administration marched behind, lagged behind public opinion, and deserves to be left out in the night. Hon. members who were in the last house will remember that on many occasions our party urged the government to prepare for what was coming. Not only did we urge them to get ready; we offered to cooperate in every possible way. On March 2, 1937, I had the privilege of saying in this chamber:

> No one knows better than . . . the Minister of National Defence—

Who at that time was the hon. gentleman who is now Minister of Pensions and National Health (Mr. Mackenzie).

> —that billions are being spent in the little British isles overseas on armaments. Over a five-year period Great Britain has budgeted for an expenditure of $7,500,000,000. The first white paper brought down provides for an expenditure of $2,000,000,000.

That was three years and four months ago.

> What does all this mean? . . . I hope the minister realizes the extraordinary changes which have taken place. . . . Throughout the whole world there is a great rush on the part of all countries to get into a position where they can take care of themselves. The minister must realize we are sitting on a volcano.

This amused the house very much, and I remember that there was considerable heckling. But this statement and similar warnings repeated many times throughout Canada did not move the government from a complacent attitude. To quote further from what I then said:

> We are going to have an eruption one of these days and then there may be a world catastrophe.

That catastrophe is upon us; it has been upon us for some little time. Yet even after war was declared there seemed to be, as the Minister of Finance said, a period of quietness and hesitation. Those symptoms affected not only many of our people but obtained in our government, which should have stirred itself a good deal more than it did. When parliament met in special session last September, my party not only gave no opposition but offered the government the utmost degree of cooperation, and by so doing left no excuse for the continued quietness and hesitation of which the minister spoke. The consequences are with us now—busy days and sleepless nights. We may have saved the interest on some money which should have been spent a year ago, and by waiting this long, what equipment we have may now be a trifle more modern. But the result of these delays has been to leave us unprepared in regard to equipment and organization to carry out our war effort. We are much further behind in evaluating and effectuating what is required than if we had got out of that complacent condition two or three years ago, or, certainly, when parliament met at the time that war was declared.

So much for the past. Let us forget the past and face the future. Let us all strive now to do what we can to further Canada's war effort. In this connection I should like to make one or two observations.

Tell our people, tell business, tell industry that from this time forward Canada's policy will be one which will see to it that we are going to defend ourselves, and that we intend to honour all the contracts which we have let and that the contracts will be filled. Whether the war stops or not we shall need this material. We shall need it for our own defence. Tell Canada that we shall have a defence policy which will necessitate having an armed force ready and prepared to defend ourselves. We will modernize our equipment from year to year; we will keep our coast in a continuous state of defence. Let us see if we cannot inspire some confidence in business and private enterprise which is timid lest the war effort may collapse.

I come now to an economic and financial review of the year that is past. The results have been fair. We budgeted for such and so and we reached and in some respects passed our objective. With the pay-as-you-go policy I am entirely in accord. In my opinion it could have been usefully expanded in several directions, and it might yet be extended. I doubt whether we can borrow our way

through this war expenditure without freezing up much of our liquid position. I was not entirely in favour of the government's action last November as regards the $200,000,000 two per cent two-year expansion banking arrangement which was made. It was a new departure so far as financial circles were concerned. The government met no opposition in September from our party. We were not sure just how it was intended to raise this money in November. Had we known, we might have advised the minister, for several reasons, to put on a war loan as early as possible.

The first reason, to my mind, is that nothing grips so much the imagination of the people and makes them realize that there is a war on, as a war loan. It seems to stir them; they know they have a job of work to do. The second point which occurred to me was that the government knew, when that short-term loan was put on, that $92,000,000 out of that $200,000,000 would be used for the repatriation of Canadian securities held in Great Britain. The government must have known also that it would be some years before Canadian securities would be flowing back again to be held in London. On more than one occasion the Prime Minister intimated in this chamber that this would be a long war. Time and again we had evidence that Britain's war effort would tend to exhaust her financially to a serious degree, and that our Canadian securities held in London would not flow back there within two years, and in that period of time would not amount to $200,000,000. The main point I had in mind in that connection, however, was that our people would have known that we were at war. As regards the amount of money raised, we were not courageous enough for we did not ask for enough. In proof of that I mention the fact that the January loan of $375,000,000, our first war loan, at 3¼ per cent for twelve years, was subscribed to by 178,000 persons in Canada. They poured $200,000,000 in cash into that loan. Those 178,000 subscribers realized in January that there was a war on and had they been given the opportunity in September or in November they would have come to the front in like manner. In the meantime we lost the enthusiasm and that driving force which these people would have engendered in creating public opinion to do everything possible to further our war effort. We lost three precious months.

I suggest that we shall have difficulty in borrowing our way through this war, and therefore I reiterate what I said before. We should do everything we possibly can to pay as we go. It will be impossible, under the United States Neutrality Act and the foreign exchange control regulations, for us to expect much in the way of United States funds; therefore I urge that we conserve as much as we possibly can of our foreign exchange for the purchases which we have to make abroad. In passing I would offer the suggestion with regard to investments held by non-residents of Canada —and I refer mostly to the United States at the present time. Our foreign exchange control board is buying large quantities of United States exchange to pay for such items as rent, mortgage interest, dividends on purely Canadian investments, and we are losing a good many Canadian dollars in securing United States exchange for the purpose of remitting these items. I suggest that the foreign exchange control board should give serious consideration to the question of retaining these balances in Canadian depositories. I have held some strong views for some time with regard to the pegged rate of exchange. Pegging it at ten per cent as we did in September was quite all right at that time, but there should have been an adjustment.

Before discussing this question I should like to read into the record certain figures with regard to the free market exchange as given by the federal reserve bank in New York, obtaining since the outbreak of war. In this connection I would say that the government, by putting on a ten per cent war exchange tax, have gone a long way to meet the situation to which I now refer. In respect of imports they have caught up to the free exchange market I should like to have seen obtain, and they have done so in one jump from ten to twenty per cent, by invoking the war exchange tax of ten per cent. But there are two sides to the picture, because while exchange comes to us on the goods we export, exchange must be given by us for our purchases from abroad. I should like to put on *Hansard* the exchange rates from month to month since the outbreak of war. At the first of September one hundred Canadian dollars were buying 95·6 United States dollars; October 2, 88·8; November 1, 89·6; December 1, 88·6; February 1, 87·4; March 1, 86·1; April 1, 81·1; May 15, 81·6. These were the exchange rates in the so-called free market, or, as some call it, the black market as published by the federal reserve bank of New York.

In our trade agreement with the United States, provision was made for mutual agreement on wide fluctuations in exchange. In order that the record may be complete I wish to quote article XIII, which made this provision:

> If a wide variation should occur in the rate of exchange between the currencies of Canada and the United States of America, and if the government of either country should consider the variation so substantial as to prejudice the industries or commerce of that country, it shall be free to propose negotiations for the modifi-

cation of this agreement; and if agreement with respect thereto is not reached within thirty days following receipt of such proposal, the government making such proposal shall be free to terminate this agreement in its entirety on thirty days' written notice.

I am convinced, Mr. Speaker, that we had to have the foreign control exchange board in order to curb the panic that might have occurred, involving a collapse of markets. But had free market prevailed Canada, in my opinion, would have been in this fortunate position. We are primary producers of goods which are shipped to the United States to the extent of seventy per cent of our exports. The farmer or live stock man takes a car of cattle to Buffalo from western Ontario. True, he gets a $1.10 in Canadian currency for the United States dollar that he receives, but after his day's work in the stockyards he walks down the streets of Buffalo with Canadian money in his pocket and goes into his hotel or into a restaurant and buys a one dollar dinner for which he must pay $1.22 or $1.25 in Canadian currency. The proceeds from the sale of his cattle he must deposit in his bank when he gets home. They in turn under our law send it to the foreign control exchange board and he gets $1.10 for every United States dollar he has. With seventy per cent of our primary exports going to the United States, consider the happy position our primary producers would be in if they were able to get one hundred and twenty Canadian dollars for every $100 worth of sales they make instead of one hundred and ten dollars as at present.

Mr. RALSTON: I think the gentleman would have used United States money to pay for his dinner, not Canadian money.

Mr. HARRIS (Danforth): Well, I do not think the man I referred to would go to the trouble of buying United States exchange before he went across the border when he was only going for the day.

Mr. RALSTON: He got it for his cattle.

Mr. HARRIS (Danforth): True, but under the regulations of the foreign exchange control board exports must be paid for in United States funds, which in turn must be surrendered to the board. Any shipper knows that. If you retain any part of your remittance, you are breaking the regulations. That is one of the difficulties experienced by the foreign exchange control board in their attempts to curtail the bootlegging that is going on—and I regard what the Minister of Finance suggests as a bootlegging transaction in foreign exchange. I hope he is not going to encourage us to do that sort of thing, but it is common knowledge that it is going on to-day to the extent of at least $50,000 daily. The greatest problem of the board is to stop that bootleg traffic, and the greater the spread the greater the traffic will be.

Free traders! There used to be some in the Canadian House of Commons when I came here some eighteen years ago. Perhaps I should have sent to the museum and brought one back so that I could address a few remarks to him in regard to the next item running through my mind, namely the war exchange tax. I am in favour of the war exchange tax. Not only will it provide revenue, but it will slow down the imports of luxuries and other unnecessary articles. It will tend to keep in Canada more Canadian dollars. It will tend to make more employment in Canada. The same objective could have been reached on a free market, except of course that the government would not collect the duty wherewith to run the affairs of the country. I purpose later in my remarks to say something more in that regard. Before I leave the matter of imports let me say that with free exchange this tax would have been of great benefit to Canada in making more employment for our people. It would be less tempting to Canadians to buy goods in the United States if they had to put up 120 Canadian dollars for the goods rather than $110 as at present.

I come now to another feature of the budget which I am anxious to commend not only in this house but to all the Canadian people; I refer to the issue of war savings certificates. The sale of these should be encouraged in every possible way. I think the minister is a little optimistic in expecting $50,000,000 from this source in the current year. More energy and enthusiasm will have to be displayed by the volunteer effort which is being put forth in this connection. I hope the press will pay tribute to the voluntary efforts of citizens who are promoting the sale of these certificates. If we apply ourselves with diligence we can raise the $50,000,000 from this source. And we should do it.

I should like to make one or two observations regarding the money receipts from the sale of the certificates. The money finds its way now into the consolidated revenue fund, and thus people are likely to think that it is revenue. But it is a liability, and some day Canada will have to honour its obligation in that regard. What sinking fund arrangements are being made? At the present time the consolidated revenue fund is cluttered up with items such as post office savings, departmental funds, civil service insurance funds, annuity funds, superannuation funds, returned soldiers' insurance funds, moneys received from the sale of school and Indian lands, and so on. Now here is another large item to swell the consolidated revenue fund. I often

think we do not realize that some day these liabilities all have to be met, and there is not a sufficient sinking fund on the asset side of the ledger to take care of our obligations on the liability side. The money collected from the sale of war savings certificates should be earmarked as a direct responsibility. We are too prone to get our capital assets into the revenue structure without making provision for the liquidation of the corresponding liabilities.

What applies in this regard applies also with regard to Canadian National Railways financing. They buy freight cars, build stations, lay rails and what not. It all goes into their capital assets, but no fund is set up from year to year to take care of the depreciation of the equipment. Therefore we are fooling ourselves in regard to the earnings of the road. Similarly we are fooling ourselves when we say that our consolidated revenue fund is swelled by so much from the sale of war savings certificates, and that we are that much further ahead. I want to gear all my ideas to the war effort; so that following these constructive criticisms I would say: Let us get the money wherever we can; let us encourage our people in thrift; let us stop wasteful spending and do all we can, by every possible means, to expand our war effort.

I come now to the matter of the physical volume of trade. In August last the index figure stood at 125; in January, responding to the war spending, it reached 139. Since January we have had a recession in commodity prices—and may I interject this warning; look out that we do not have a further recession in commodity prices during the next few months. Our physical volume of business receded to 137. Did this rise indicate an expansion of business as we ordinarily know it in Canada? Not entirely. The major portion of that expansion of physical volume of business was due to the construction industry, which increased 76 per cent in the six months; and a second reason was the heavy sale of pleasure cars, arising out of the fear on the part of the people that these would be further taxed.

Coming back to the question of construction, the construction of buildings is a capital expense. I do not mind the expenditure of money to stimulate the physical volume of trade, but I should like to see those expenditures made for production purposes. We have hundreds of idle factories in Canada, and I would say to the Minister of Munitions and Supply (Mr. Howe) that in making these expenditures, instead of putting up buildings here, there and everywhere he should use the buildings already existing and get them into production, thus using this money for production purposes.

May I interject just here that urgent government business has made it necessary for the Prime Minister and the Minister of Munitions and Supply to retire from the chamber, and I should like to express my appreciation of the kindness of the Prime Minister in sending me a note excusing himself and the other ministers who found it necessary to leave. It was a very gracious act on his part, and I thank him for it.

To return to my point, I think we should put our money into production instead of making capital expenditures, and I hope the minister will take note of this suggestion. Scores of factories and other buildings are available. Let us not put up new, expensive buildings; let us get into production with the space at present unoccupied.

I return to the question of automobiles. Even since war was declared our people have been seeking pleasure to a greater extent than they should have. They motor here and there, all over the country. Of course it helps to keep things normal and to prevent the people from becoming panicky, but at the same time it wastes a good deal of gasoline and money. During the last twenty years I am afraid our Canadian people have not been as provident as they might have been, particularly the younger people. Our people have not been provident; they have been reckless; there has been too much wasteful spending. This has had an effect on the physical volume of trade, but while we were building and driving motor cars certain totalitarian states were building tanks, aeroplanes and other war equipment. While our unemployed were idle their unemployed were building military roads. We see the result to-day in the present unpreparedness.

The other expansion in the physical volume of business was in connection with employment. In his budget speech the Minister of Finance said that 100,000 wage earners had been drawn into employment during the last twelve months. I am glad of that; I am sorry it was not three hundred thousand. Something should be done to bring more and more of these people into employment. The present situation, with 367,000 unemployed employables not earning wages and 171,000 of them drawing relief, is not what should be the case in this country at this time.

In the summary which accompanied the budget address the period of the last twenty-three months was covered. In all kindness I say to the Minister of Finance that if he had gone back to the first item set out on page 40 and made a deduction for the twenty-three month period, he would have found that only

46,000 wage earners were drawn into employment, together with another figure which I am sorry to put on the record. He would have found that while 169,000 unemployed employables were receiving aid twenty-three months ago, to-day 171,000 are receiving aid. In other words, in our war effort and our expansion of the physical volume of business in the last two years we have not taken any people from the category of unemployed employables and put them in the class of wage earners. That is a serious situation, which should engage the attention of the government. We have a mobilization bill now. Some do not like the word "conscription" but the unemployed would like to be conscripted off the relief rolls if we could find work for them. Let our administration give leadership in that regard and let us all do everything possible to see that relief costs are less, that wage earners are put into production and that our physical volume of business expands. This might help us to expand our national income to the $4,500,000,000 the minister mentioned, which, at our present speed, we are not going to achieve.

On June 21 I wrote the deputy minister of finance and asked for a review of government accounts, 1939-40, and a review of economic and financial conditions for the same period. This always forms part of the budget address. I should like to make a constructive suggestion with regard to the conduct of budget debates. Of course as ordinary members we could go down to the bureau of statistics and gather this information, which was all available for perhaps a month before it was given to the minister. But to my amazement the reply I received from the deputy minister of finance was that this material was not given to me but would be tabled by the minister at the time he delivered his budget speech and would be printed as an appendix to the House of Commons debates. We could have taken a staff and done this work for ourselves, but in my opinion in future budget debates we should have this information a week or two in advance of the budget speech. I make this statement to the Minister of Finance: Had I been asked a week ago to make the speech I am making to-day, and had I had this information I should have been prepared to follow on immediately after the minister, and to permit some of my colleagues to deal with specific items which must receive our attention at this time, and save two days' time

Mr. RALSTON: As my hon. friend must realize, I have been in the position in which he finds himself to-day. I believe the custom has been to do as has been done in the present instance, namely to present the accounts along with the budget speech. The general reason they cannot be presented to the house earlier is that the budget is generally delivered much nearer March 31. However I thoroughly agree with my hon. friend's observations with regard to the present year. I really believe that what has happened is that the compilation did not take place until very recently. I can say to him truthfully that this copy was not put on my desk until the Thursday preceding last Monday.

As the hon. member must know, we have been working at very high pressure. I can say to him that I am sure the government would gladly accept his suggestion if sufficient time elapses between the end of the fiscal year and the presentation of the budget speech.

Mr. HARRIS (Danforth): I am glad to accept the minister's explanation. I suggest however it does not excuse him on the point I had made, namely that the minister might have been fairer had he gone back two years, particularly in respect of his observations regarding the number of wage earners put back to work.

All these observations, Mr. Speaker, lead to a consideration of the ways and means for expanding the national income of Canada. How can we secure that extra $700,000,000 of national income which we must have if we are to be in a position to meet our obligations? I have one minor suggestion in that regard, and it is this: We have been told about the formation of a new department of government to be known as the Department of National War Services. I hope when that department gets under way—and we trust it may do so quickly—it will take full advantage of the desire of all our people to be doing something productive, even if it be only tending a vegetable garden after business hours, or working in spare time to produce war supplies; that it will get all our people into some kind of activity so that they may take comfort in the thought that they are doing something on behalf of the war effort. If this is done our production will be increased to the extent of many thousands of dollars, and that increased production will add considerably to our national income.

Spend a billion! The Minister of Finance says he is going to spend $700,000,000, and then he timidly suggests that perhaps there will be another $180,000,000 or $200,000,000. I say to him: tell the people frankly that you are going to spend a billion dollars. Let them of their own initiative and enterprise, and through their investment in industry, get in on that job of work. If the minister does that, he will tend to inspire confidence and to increase Canada's national income by expanding her physical volume of business.

A few days ago I listened to an able speech by the hon. member for Davenport (Mr. MacNicol) in which he dealt with the problem of youth, and with the part they will play in our war effort. He advocated technical training for them, and I had the privilege of suggesting that that training should be given, not only in day classes but in night classes as well. They could be made to feel that they are part and parcel of the task Canada now approaches. I would even go so far as to give badges or buttons to indicate that in their own sphere, by some means or another those people are contributing to the war effort. If some have bought war savings certificates, then let them wear a badge to show it. If others have cultivated garden plots to produce their own requirements, they could be given buttons to indicate what they have done. If boys and girls have been studying to fit themselves for technical training, so that they might be of some use in our future war effort, they could be given buttons to show that they are taking an active part. Let us badge and placard our citizens, so that we may know who are working and who are not, and thus we may inspire others to do more and more work for Canada at this time.

The Minister of Finance has indicated that perhaps our national income would be expanded if we were to ask the municipalities and provinces not to overspend or to spend wastefully. In fact, if I recall his words correctly he intimated that the provinces were already seized with the idea, and were not spending to the extent which obtained in other years. I was interested in that observation, and with that in mind I sent to the library for reports of speeches of provincial treasurers in which figures of provincial expenditures have been set out. My examination has disclosed that most provinces are spending and budgeting for more money than at any other time in their history. For instance, this year Ontario is budgeting for $102,000,000, whereas years ago $50,000,000 was sufficient. There is not sufficient retrenchment in the provinces. The following is from the budget speech of the provincial treasurer of British Columbia:

> The appropriations for expenditures in the estimates for the year 1940-41 amount to $29,268,790.90, and exceed those provided for in the main estimates of this year by $563,353.41.

There is no retrenchment of provincial expenditures there. Then, Manitoba:

> This province estimates ordinary expenditures will exceed original estimates by $171,382.89.

There is no retrenchment there. Then, turning to Saskatchewan:

> The expenditure moved up from $19,303,528.68 in 1938 to $21,342,013.33 in 1939.

This year in Saskatchewan they have provided for increases in expenditures for the fiscal year 1940-41, as follows:

Consolidation of the statistics....	$60,000

Well, I do not know whether the statistics needed to be consolidated until the close of the war. The list continues:

Public works.....	$170,000
Highways	250,000
Public Health.....	100,000
Education	60,000

I offer no criticism of the expenditure for public health. In New Brunswick this year's budget provides for expenditures of $10,000,000. I will leave it to some hon. members to correct me if I am wrong in the statement that that is the largest budget New Brunswick has ever had.

I shall not give details respecting the other provinces, in the first place because I am not anxious to do so, and in the second place because I do not wish to stir up discussion in a field which perhaps after all is none of our business. However, in his budget speech the Minister of Finance made a statement which led us to believe that perhaps some kind of arrangement had been made under which provincial and municipal expenditures would be cut drastically.

I now leave that phase of the matter and return to a discussion of the position in which we shall find ourselves if we proceed to freeze more and more of our money in government loans; and in that connection I make the following observation. In peace time, borrow all the money you can at home, but I do not think we should leave ourselves in a more or less frozen position during war time. The Prime Minister knew three years ago that we would be requiring very large sums of money. I can remember speeches in this house in which it was stated that only twelve per cent of our borrowings were payable in New York; eighty per cent were payable in Canada, and probably the balance in London. We have repatriated the London securities by borrowing $200,000,000 by a short-term loan. We would be in a much better position to-day if our borrowings in New York were greater than $469,000,000, the present total. The neutrality act provides that we could have renewed these amounts and taken care of these obligations as they become due. As I say, we would have been in a more liquid position if we had taken time by the forelock a year ago and negotiated loans in that country which has been so anxious for so many years past to lend money to Canada.

I should like to quote paragraph (b) of section 7 of the 1939 neutrality act of the United States. It states that the provision shall not apply to a renewal of the indebtedness of countries or states that are at war.

I come now to the part of the budget speech which has to do with the trade of Canada. Hon. members who support the government know a good deal about trade. During the last two or three occasions on which they have appealed to the people, they have used that as their slogan. I sympathize with their point of view. War strangles trade. This administration, in common with all others, did everything possible to expand our trade in peace time. We were all in favour of that. Now twenty per cent of our economy depends upon our trade; and this can be compared to the five per cent which obtains in the case of the United States, a country which is fast becoming more or less self-sufficient. I do not believe in self-sufficiency in normal times, but conditions are different in times of war. I do not subscribe to the theory embodied in that pat phrase "economic nationalism," but perhaps we must strive more toward that end when we are faced with a war as a result of which our exports are cut off and we are unable to import many of the things we need.

Fortunately for Canada only five per cent of our imports come from Austria, Czechoslovakia, Germany, Norway, Sweden, Denmark, France, the Netherlands, Belgium, and other countries in central Europe which are now at war. In 1938 we imported only $31,425,000 worth of goods from these countries. During the same year we exported $66,000,000 worth of goods, which gave us a favourable trade balance of about $35,000,000. But Great Britain had a much greater balance of trade with these countries. Her imports from and exports to these countries were quite extensive. Therefore, it behooves us to do everything possible to supply Great Britain with the things which she normally imports from Europe. But we should remember that Great Britain must have Canadian dollars with which to buy Canadian products. If during these trying times she is to be able to buy from us, we must do everything possible in the way of buying British goods.

The repatriation of $92,000,000 will curtail our trade, inasmuch as Great Britain will not have the interest from those investments in Canada with which to buy our materials. I shall refer to this a little later when I discuss another suggestion which I have in my mind. I close this portion of my remarks by saying: Give to Great Britain every possible Canadian dollar so that John Bull in turn may be able to buy the things which are so sorely needed. This war exchange act is a move in the right direction. Non-empire imports last year increased $170,000,000, mostly from the United States. The provisions of the war exchange tax act, which really constitute a duty, will tend to slow down these tremendous imports. It is to be hoped that the main part of that slowing down process will be balanced in the form of increased imports from Great Britain. We import iron, steel, machinery, cottons, silk, coal and petroleum from the United States, most of which are necessary. I should like to see these commodities imported instead of many of the luxuries we now bring into the country.

There is one item of import which is of great interest to Canadians at this time, especially in view of the legislation before us. I refer to coal. More and more Canadian coal should be produced in Canada for Canadian consumption. We would thus conserve Canadian dollars rather than have them used to buy foreign exchange for the purchase of United States coal. As far as many of the other items are concerned, we must of necessity have them and the United States is the quickest market from which to secure them.

I come now to the matter of capital expenditures and revenue expenditures. The Minister of Finance told us that during the last four months there had been an increase of fifty per cent in the importations of capital goods from the United States. If those goods were to be consumed in production and not be tied up in capital, then they would tend to extend our physical volume of trade. I hope that soon we will be fitted out with machines of all types so that we will not have to make much more capital expenditures. Much of the machinery which is being bought promiscuously by the Department of Munitions and Supply in the United States could be produced here. The Canada Machinery Corporation and other machinery companies are accustomed to making tools and dies; the doors should be wide open and they should be given every opportunity to put their men to work in making the machinery which is required for the manufacture of munitions and supplies, so that we shall not have to expend more and more of our Canadian dollars on this type of capital equipment.

I know that haste is essential, but at the same time full consideration should be given to our industries which are capable of manufacturing dies, tools and machinery. So long as the United States will accept our gold and our exports we shall probably be able to keep a fair balance, but let me tell you, Mr. Speaker, and this house that the economic penetration of this country by the United States is going forward by leaps and bounds. I have no objection to that, in face of the war, but we should take heed that some day—I pray God it will be soon—we shall have peace. The economic penetration of this country by the United States will by then be considerable.

A year or two ago I criticized very strongly in this chamber the Canada-United States trade agreement. It was my privilege at that time to analyse our trade situation for a period of some twenty years; and for the benefit of new members I might mention that this schedule of seventy pages which I have in my hand represents what we gave the United States, and this smaller document indicates what we received. Item for item we gave $5 for every $2 we received. Beyond that, we gave away a three per cent excise tax. True, that has been equalized through the new war exchange tax, and I compliment the government on their courage in this matter, although I wonder whether we have accomplished what we set out to do, in view of the pegging of exchange at $1.10 when the free market is $1.20. Nevertheless, what was given away two years ago under the provisions of article XII of the Canada-United States trade agreement is now recovered, but that is for the period of the war only; when the war is over that tax will disappear and we shall be back where we were.

A few weeks ago an item on the order paper in the name of the Prime Minister called for a committee of this house to study what shall be done in the matter of reconstruction after the war. In my opinion the greatest problem as far as trade is concerned will arise when the provisions of the present war exchange tax become inoperative at the close of the war. There will be a collapse of trade in Canada if we ever go back to last year's position.

I purpose to put on the record article XII of the Canada-United States trade agreement, so that we may be able to refer conveniently to the clause which makes it possible for us to continue the agreement and at the same time impose a war exchange tax of ten per cent:

XII. 1. Nothing in this agreement shall be construed to prevent the enforcement of such measures as the government of either country may see fit to adopt

(a) relating to the importation or exportation of gold or silver;

(b) relating to the control of the import or export or sale for export of arms, ammunition, or implements of war, and in exceptional circumstances, all other military supplies;

(c) relating to neutrality or to public security; or—

This is the clause under which, I understand, the war exchange tax becomes operative:

(d) should that country be engaged in hostilities or war. . . .

Article XIII reads:

XIII. If a wide variation should occur in the rate of exchange between the currencies of Canada and the United States of America, and if the government of either country should consider the variation so substantial as to prejudice the industries or commerce of that country, it shall be free to propose negotiations, for the modification of this agreement; and if agreement with respect thereto is not reached within thirty days following receipt of such proposal, the government making such proposal shall be free to terminate this agreement in its entirety on thirty days' written notice.

We are at war, and perhaps all this does not matter so much now, but at the same time we must take cognizance of the position we are getting ourselves into. We must go further and see whether we cannot get action of some kind from those of the ministry who are charged with the responsibility. I suggest that a definite responsiblity lies with the Minister of Trade and Commerce (Mr. MacKinnon). Trade is vital to us, and I have felt for some time that the conduct of that department has been weak and ineffective. In recent months a number of trade commissioners have been evacuated from Europe. What is being done to utilize their services and abilities and put them to work on the problem of enlarging our export trade? Something should be done. The people should know that these trade commissioners are to be placed in the Americas or other non-belligerent countries to help make up for the loss of trade which has resulted from the present tragedy in Europe.

In this regard I suggest that we should have an imports board, with adequate authority, working in conjunction with the foreign exchange control board. Their duty should be to review the necessity of providing foreign exchange for certain classes of imports, and they should have power to restrict the departure of our Canadian dollars for the purchase of American exchange. In order that the point of my remarks may be made abundantly clear let me recite an actual experience of my own three or four weeks ago. I was in a planing mill in one of our large cities. I happen to know the proprietor very well; he is a conscientious and intelligent Canadian, and much worried about the war situation. I asked him, "Is your mill busy?" He said, "Yes." I asked, "What are you doing?" On a bench almost as large as the table now in front of me, all kinds of blue prints were laid out. I said, "You have got this job, have you?" His reply was, "Yes, I got this job, but am not very proud of the fact that my men are working on this particular job." What they were manufacturing, Mr. Speaker, was the panelling for two beer parlours, one for men and one for women, in a large beverage room which is being rebuilt during this time of war. That was not so bad. But, he said, look at this specification. The specification says that this beer parlour, 80 by 80, and this other, 40 by 80, must be panelled with southern pine imported from the United States and trimmed with hardwood

imported from the United States. I have no doubt hon. members see the point I have in mind when I say that an import board should have discretionary powers to restrict the bringing in of pine and hardwood for that particular specification when we have an abundance of Canadian white pine, maple, birch and various hardwoods which would do a good job. I give that to illustrate my meaning when I say that we should have an import board functioning in Canada.

Necessary war supplies should also come first. In other words we should classify all the goods that come into the country and give necessary war supplies the right of way, taking other materials in the order of their importance, so that we shall not have too great an influx of luxuries to the displacement of necessary war materials. And if we had an import board we should also have an export board to help export our surpluses. We cannot possibly consume all the wheat which is grown in Canada, and our pulp and paper, our lumber and non-ferrous metals must find export markets. I say therefore that an export board would have real work to do in trying to find these export markets to absorb our surpluses. But they should be given the power to take all necessary action.

We all remember what happened in the wool industry when war was first declared. Wool was being exported by scores of carloads. The hon. member for Brantford (Mr. Macdonald) who is in his place, no doubt knows what took place. I have a vivid recollection of someone in a constituency adjoining his calling me up on the long distance telephone to try to get an export licence to ship seven cars of wool to the United States in order to take advantage of that market. He got them out. Many scores of other cars were got out of the country, notwithstanding the fact that we produce only twenty per cent of our requirements and have to buy elsewhere. An export board should have the necessary authority to stop the export of materials of that kind in a time of war. What obtains in that regard obtains in regard to scrap iron, copper, aluminum and other metals used in our war effort. We should always keep in mind the importance of doing everything possible to enable Britain to have sufficient dollars wherewith to buy the products which we must export.

We shall no doubt hear something about wheat to-day. Now I am always loath to start talking about wheat, but I do know that we cannot consume all that we grow. The countries that are overrun in Europe import, annually according to the statistics, anywhere from 100,000,000 to 200,000,000 bushels of wheat—not from Canada but from the world's markets. If they will not buy that quantity this year and if they do not get it off the world's market, then 100,000,000 or 200,000,000 bushels of wheat will go—where? It will go into competition with the surplus wheat that we are producing. Then what are we going to do about our surplus wheat? An export board could be charged with the responsibility of meeting that difficult situation.

The Americas are cereal producing countries. Australia is a cereal producing country. It will be difficult to find markets in that half of the world, and everything possible must be done to conserve the other markets. I wish to put on the record a quotation from one of the first parliamentarians in Great Britain, made in the British House of Commons, wherein he is reported as follows with regard to exports from Britain—and by that I am thinking of imports into Canada from the mother country, because Britain will lean upon us:

> In this war we are fighting with our backs to the wall. Only by exporting and by fighting, and by exporting to enable us to fight and to go on fighting, shall Britain be able to win her way to safety and victory over the powers that threaten not merely the ideals we cherish but our very existence.

That statement was confirmed by Mr. A. M. Wiseman, Britain's senior trade commissioner to Canada, in a recent address in Ottawa in which he said that Britain's fourth arm of defence in modern warfare is her export trade. He pointed out that Britain was spending a large part of her war outlay for foodstuffs and that she must in turn export her own products in order that she may have the dollars wherewith to buy imports from Canada, wheat being an outstanding example.

I come now to revenue and expenditures. We are going to extract more from the Canadian people than ever before. The Canadian people are geared up to the idea of paying more. They are anxious to do all they can and will cheerfully do all they can. I have always said in days gone by that taxation should bear down more heavily on non-producers than on producers, and I am still of that opinion. But we must remember that those who are privileged to be non-producers, living off private incomes, are among the most patriotic of our people. A week ago last Sunday in the afternoon an elderly lady of some sixty years—I happen to be the executor of her father's estate—and she has a nice income—was sitting in my home and she said to me: "I have been to Alaska, to Australia; I have been around the world. I have lived in Muskoka in the summer and I go to Florida for the winter. But there is a war on and I want to do something on behalf of the war effort. I

am going to stay in Canada. I can run a sewing machine. Why can I not run a machine or work in some factory, if only for a few hours a day, so that I can do my bit voluntarily during this war?"

People who have large incomes will help, by the payment of income tax, to increase the flow of money into the treasury of Canada. We as a parliament perhaps cannot provide the ways and means, but we can encourage them to use their own initiative to get into productive enterprises of one kind and another. Let us ask our people to declare a holiday on holidays, an armistice on wasteful spending, and submit themselves to extraordinary taxation; I am satisfied that they are anxious to do so.

This income tax levy certainly tells us we are at war. But I think the minister could have gone even further in many directions. I do not know why exemptions with regard to charitable donations and so forth were granted a few years ago. Each budget seems to bring down some new exemption from taxation of someone somewhere. There is a war on. Cancel all exemptions from income tax that were given in the last few years, provided this does not conflict with the present legislation, and I am sure people will be satisfied. In the income tax form which we fill out there are four or five classes of exemptions. I make this suggestion, that when the new forms are printed, provision be made for exemption for the children who are coming from Britain, the 3,000 who were spoken of, followed by 750 more every five days, for a week or two, about 5,000 altogether —not nearly enough. Let us have more of them here, and for those good people who take them into their homes let us give the full exemption that is given for our own children. Do not even put them in the category of "other dependants"; make them part and parcel of us now. And do not put those who are charged with looking after those children in the position of having to make a separate affidavit that they have refugee children in their homes. I received a letter this morning from a constituent. She says that she is taken two guest children into her home, and that her mother is going to look after them; that she earns thirty dollars a week, and will provide for these two children and will pay her full share of taxes of all kinds, but if the government in its wisdom could see its way clear to give her, a maiden lady, an exemption for the two guest children it would be appreciated. Her name is Nellie Dunham.

The national defence tax is quite opportune, and, in the main, satisfactory. It will reach wageearners in the lower brackets. Industry and business will have to pay much of that tax. I make this plea to industry in Canada: for all those employees on your payroll who are receiving less than the cost of living as defined by the Department of Labour at Ottawa, you pay their tax. I make this further suggestion to the minister, that he allow those corporations who feel free to do that to charge that payment in their financial statements as expense against the operation of their business, or that he at least let them have an exemption for that amount.

In that regard I have another communication which points out one of the anomalies. On a return of income of $8,000, the schedule provides for a tax of $1,695, and in addition, if there are no dependants, there will have been deducted by the employer $160, making a total of $1,855. But the taxpayer receives only $7,840 in place of the $8,000 for which he is obliged to file his return. I submit it is hardly fair to be taxed on $100 when only $98 is received.

The excess profits tax received my support in the September session of parliament. Again I support it, but anything that can be done to get excess profits back into production and productive enterprise should be done; any encouragement that can be given those earning excess profits or profits of any kind to put their funds back into enterprises so that we can have expansion of national income would merit consideration by this government and by the people of Canada.

I have often thought that the orientation of taxation as it at present obtains in this country is in the wrong order. It always seemed to me that most of our money should come, as it did in days gone by, from duties imposed on the handicraft of people who are shipping goods to us, but in these strenuous times the situation is different. We now have the sales tax in first place. From the sales tax a revenue of $170,000,000 is expected this year. It is not an economic tax. It is true it taxes all our people, but it raises the cost of living in this dominion, whereas a tax taken from goods brought in from other countries comes to us without in the same degree raising the cost of living or cost of production in our own country and at the same time provides more work for our own people. The sales tax does not make for more work. It is true it catches all, from the baby in the cradle to the octogenarian in his casket, and in that way perhaps there is some equality. I quite agree with it this war year, although I do not agree with an eight per cent sales tax in peace time. I would go one step further in that regard: Why not cancel all the exemptions that were given? In 1938 a great list of exemptions from sales tax was

inserted in the act, and the same thing occurred in 1936 and 1937. Since the sales tax levy was raised from two per cent to eight per cent, those who received exemptions were put in a preferred position against those trades and industries which did not receive exemptions. The farmers of Canada do not mind paying sales tax on their harness, but the sales tax was taken off harness. They certainly would not object to gopher poison carrying sales tax. The building trades would not object to paying sales tax. In the old days it was said that it was taken off building materials, so that it would not cost so much to build the platforms on which parliamentarians could make their speeches, and there would be more platforms built in Canada because building materials were exempted from sales tax. Remove the sales tax exemptions; let us get another ten or twenty million dollars from that source, and I do not believe the people will object.

In his opening remarks the minister said there would be some who would say the government had not done what it ought to have done and had done what it ought not to have done; that there would be criticism of detail and that we would probably differ with the government as to the proper way of doing things. Well, I never remember a budget coming into this house that did not contain paragraph after paragraph about agriculture and the farmer. The farmer is the forgotten man in this budget. Read it through; look it over, and you will see that what I say is correct. The farmer does not appear anywhere. During fifty years fifty budgets have said that the farmer was the back-bone of the nation. This time he does not appear in the preliminary remarks at all. The hon. member for Queens-Lunenburg (Mr. Kinley) gives the answer. I do not say it, but the hon. member for Queens-Lunenburg says the answer is that this is a taxation budget. Therefore, if the farmer is not mentioned in the preliminary economic survey, we will not need to mention him when it comes to the question of raising the money to pay the cost of carrying on this country this year. But the farmer wants to know what the government is doing for agriculture. He will listen with a great deal of interest to the discussion that will go on after I take my seat. He wants to participate in this national defence tax. He would like an opportunity, I am sure, to contribute his bit in a direct way. Why separate him from the rest of the community?

Mr. GARDINER: Do you think he will not get an opportunity?

Mr. HARRIS (Danforth): He will get it, the Minister of Agriculture (Mr. Gardiner) says, and this answers the question from another point of view. I suppose that with the estimates, supplementary estimates and further supplementary estimates, in accordance with the speech of the Prime Minister (Mr. Mackenzie King) the other day, we shall witness this session one budget brought down by the Minister of Finance and a supplementary budget brought down by the Minister of Agriculture, so we shall have two chances to discuss the same problem. I hope, when the Minister of Agriculture does bring down his suggestions with regard to finding money with which to prosecute our war effort, they will not be middle-of-the-road suggestions.

Mr. GARDINER: I will deal with that in due course.

Mr. HARRIS (Danforth): The additional taxes on tobacco, which will bring in approximately $15,500,000, will reach some farmers and a great many wageearners. But I should like to have seen consideration given, as was the case in England, to a tax on liquor. Of course there is a very heavy tax on it now, and it may be a question whether that tax has not retarded or reduced consumption, but such a tax would have had at least a psychological effect on our people. It would have appeared fairer. The average working man enjoys his tobacco and perhaps a bottle of beer on Sunday. That is about as far as he gets. With him liquor is a luxury, and he is the man whom we have to keep in the right frame of mind at this time. He may see some liquor at a wedding or a christening, but he rarely touches it at other times. In England Sir John Simon imposed a tax of a shilling a quart. We consume ten million quarts a year in Canada, I am ashamed to say, and a tax of 50 cents on the present consumption would have increased our revenue by another $5,000,000, which would tend to bridge the deficit we are approaching.

The reports of the tariff board which were laid on the table rather balance one another. Just what revenue might be obtained is a little doubtful. But I am opposed to the lowering of the bracket in which tea appears, so that tea at 22½ cents a pound now has to pay the 7½ cent tax rather than the 5 cent tax which it paid previously. Tea is an empire product in connection with which, so far as I know, there was no reference to the tariff board. However, since the government have seen fit to increase the tax on tea, I ask the minister why he did not put into effect the recommendation contained in the tariff board report on application No. 99, which was tabled in this chamber on April 13, 1939. I shall read that recommendation in a moment or two, but a tax of only half the United States tax would bring into the treasury of Canada at least $5,000,000 without in any way

disturbing the economic life of Canada but rather helping it in many ways. To-day we are importing some 250 million pounds of vegetable oils yearly, and we are producing about the same amount of creamery butter.

This matter was brought to the attention of the government and the tariff board because of the fact that in August, 1936, the United States introduced an amendment to its revenue act, known as the Bailey amendment, which imposed an excise tax on vegetable oils entering the United States from foreign countries, amounting to 3 cents a pound and, in some instances to 3½ cents a pound. The net result was that our surplus animal fat products could not find their way to the Chicago market, which controls that industry as it has controlled it for the last half century. The result was that the market for those commodities in Canada collapsed. At the same time several billions of pounds of vegetable oils were backed up on the world's markets by that enactment. The Canadian market remained free, and imports into Canada jumped from year to year, by leaps and bounds. The 90,000,000 pounds of 1936 has now reached the staggering figure of 250,000,000 pounds a year. The lard industry in Canada is demoralized. Dairy butter production in this country has sunk to half the level which obtained ten years ago. Shortening and vegetable oils are taking the place of lard and butter which were used previously. Butter was in heavy demand in the cake industry, and lard in the biscuit and bread industry. But that butter and lard has been replaced by vegetable oils which enter this country free.

The dairy interests of Canada realized the danger, and as a result the National Dairy Council of Canada of its own volition passed a resolution at Winnipeg stating that something must be done to stop this tremendous influx. Other interests in Canada producing lard and other fats held along similar views. The Hon. Mr. Dunning, the then incumbent of the seat now occupied by the minister, suggested that those interests combine their briefs and make application to the tariff board. The brief of the National Dairy Council of Canada represented 300,000 dairy farmers, the creameries of Canada, the cheese interests and the live stock producers' organizations, along with that section of the packing house industry which was not interested in the production of vegetable oil shortenings. All the packing houses in Canada, with the exception of the big two, supported the application, and as a result a hearing was arranged in December, 1936. A very strong case was presented by the applicants, and they were met by strong opposition. The late Mr. Justice Sedgewick presided at the hearings. Whereas the application is recited in a small section of the volume, the rebuttal evidence given by the high-priced economists in Canada, who were trying to break down the case of the dairy farmers, filled 90 per cent of the volume of evidence. Four days were consumed in hearing so-called experts and economists who were trying to break down the merits of the application. They failed to break it down, and after many proddings by certain members of this honourable house a finding was brought in and tabled.

I purpose putting that finding on record, because I say that we have here over $5,000,000 in revenue which the minister has not seen fit to pick up. I quote the following as the finding of the tariff board in respect of application 99:

> The revised schedules on animal and vegetable oils listed above are suggested on condition that there be imposed excise taxes on vegetable oils used in the manufacture of vegetable shortening, lard compound and soap. These taxes could be imposed by inserting in schedule II to section 80 of the Special War Revenue Act, chapter 179, R.S. 1927.
>
> (4) Vegetable shortening and lard compound: on the vegetable oil content thereof, by weight, 3 cents per pound.
>
> (5) Soaps of all kinds: on the vegetable oil content thereof, by weight, 2 cents per pound.

Taxes in the United States on these commodities ran anywhere from three and one-half cents to as high as 8 cents per pound, while we were asking only for this moderate tax. The finding continues:

> The consumption of vegetable oils in the vegetable shortening industry amounts to approximately 125 million pounds annually. An excise tax of 3 cents per pound on the vegetable oil content of vegetable shortening will yield on the basis of the 1937 consumption figures a revenue of approximately $3,340,000 per year.
>
> The consumption of vegetable oils in soap manufacture amounts to approximately 60 million pounds annually. A tax of 2 cents per pound on the vegetable oil content of soap would yield on the basis of the 1937 consumption figures a revenue of approximately $1,360,000 per year.

That will make a total of $4,700,000, based on imports of 125,000,000 pounds, plus 60,000,000 pounds, or a total of 185,000,000 pounds. But since then the importation has risen to 240,000,000 pounds, with the result that instead of receiving $4,700,000, we might just as well be receiving a sum close to $6,000,000; the treasury of Canada might be receiving that amount each year in respect of this one item alone.

Then, mark carefully this next quotation from the finding of the tariff board:

> The imposition of these excise taxes will not prohibit importations of vegetable oil.

I now ask hon. members to mark carefully my next observation in this connection: If

our Canadian farmers, whether they produced lard from the hog, tallow from the steer, or dairy butter at the farm, had been put on a parity with the United States farmer, in respect of this taxation, then the government would have been fair to that Canadian farmer. Had that condition obtained, we would have $10,000,000 coming into our treasury this year—and I defy anybody to refute those figures. Had that been done, the government would have inspired some confidence among our farmers. Instead of lard selling at 5½ cents a pound in tank cars, as it is selling to-day, it would have received the benefit of the tax against its competitor, namely vegetable oils and shortening, and the farmer would have obtained the advantage. Perhaps he would not have had the advantage of the whole three cents a pound, as suggested, but he would have had a good portion of it.

From every hog we would have about 30 pounds of fat at three cents per pound, bringing the extra value to almost $1. On 6,000,000 hogs there would have been $6,000,000 more to place to the credit of the Canadian farmer. The tariff board, an instrument of this administration, made the recommendation to which I have referred. It was tabled a year ago, but no action has been taken. We have missed an opportunity of bringing in $10,000,000.

Mr. GARDINER: Action was taken on it.

Mr. HOMUTH: Reverse action.

Mr. HARRIS (Danforth): One further observation I should like to make is this: There are about four interests in Canada which control this industry—two packers and two soap makers. They are big and influential interests. The other evening I heard the hon. member for Témiscouata (Mr. Pouliot) talking about interests. He said that a certain gentleman exercised a sinister influence because he was one of the big interests. That is what he meant. I am not saying that these big interests exercise any sinister influence. Their heads are loyal citizens and they are doing a great work for Canada in these difficult times. The Prime Minister (Mr. Mackenzie King) knew what the true situation was with regard to what the hon. member for Témiscouata said, and he should have risen in his place and stopped the hon. member for Témiscouata from vilifying Mr. Purvis, the former head of Canadian Industries Limited.

Perhaps in some of their workings this great industry has become monopolistic and it may exert influence which is not always beneficial. If influence has been brought to bear upon this administration or upon any of its servants —I refer now to the high commissioner's office in London—in order that there may be accumulating profits from the use of foreign oils rather than our own products, in order that these profits may go on without let and hindrance during the war time, then someone is going to answer for it. As an example of the influence that is brought to bear, I should like to quote from a requisition issued by the Department of Munitions and Supply for beef, bacon, fresh pork, mutton and shortening. The shortening is requisitioned in one pound prints, the most expensive way in which to buy this product. A large percentage of the cost of putting out one pound prints is taken up in the container itself and the cost of advertising. It was specified that it must be manufactured from pure vegetable oil, that lard will not be accepted for shortening.

An hon. MEMBER: Read it.

Mr. HARRIS (Danforth): I have read it so often that it is firmly fixed in my mind. The words "lard will not be acceptable" are underlined in the requisition. Since when were we not able to make pies with the use of lard as shortening? Since when were we not able to fry eggs in bacon fat? Since when were we not able to cook French-fried potatoes with the use of dripping and lard and fats natural to this country? Since when were we not able to make doughnuts by frying them in fat produced in Canada? Whence came the influence to have it specified in that way in this requisition for requirements for our troops?

It is still being done. I can tell this house where some of the influence comes from. This is a high-powered organization. They make a large profit out of this product. It costs them four to five cents a pound and they refine it and sell it for two pounds for a quarter. Because of that large spread they are able to put experts into dietitian's establishments. They even exert some control over what our universities shall teach in the way of dietetics in order that more and more of this product may be used. If a man operates a bake shop and is using Canadian fats of any kind for shortening purposes, they will put an expert in free of charge to show him how to use vegetable oil. If a man is using two per cent lard in making bread, they will put in an expert to show him how to use this vegetable oil. They are efficient and in their efficiency they bring influence to bear. If the war were over, I should like to make some research into certain activities of the Department of Agriculture, in order to find out how influence is brought to bear by these interests which I have mentioned. I am not complaining because they are doing a great

service for Canada, but I bring this matter to the attention of the government at this time. I charge the government with the responsibility for not collecting that $10,000,000.

The Canadian people were rather expecting a tax on gasoline and petroleum products. On an average, one and one-half billion gallons of petroleum products are imported into this country each year. A tax of one cent a gallon would have given us another $15,000,000, and the Canadian people would not have objected. There is a federal tax in the United States, and the people in Great Britain pay a very heavy tax. Our people were ready to pay a tax on gasoline. It is true the war exchange tax act imposes a ten per cent tax, but, as I said before, that is simply the spread between pegged and free money.

I should like to summarize my suggestions. A tax of fifty cents a quart on liquor would have brought in another $5,000,000. The implementing of the recommendation of the tariff board in connection with vegetable oils would have brought in another $5,000,000. A tax of a cent a gallon on petroleum products would have meant another $15,000,000. This makes a total of $25,000,000, but I would go even further. I would put the tax on liquor at the highest point at which it could be placed without stopping the revenue. I would get every possible bit of taxation. I believe we could raise that to $10,000,000. Then, in connection with vegetable oil, if our farmers were placed in the same position as United States farmers, another $10,000,000 could be obtained. A tax of two cents a gallon on gasoline would give us $30,000,000. This makes a total of $50,000,000 which could have been extracted from the Canadian people in order to help this war effort. This could have been done without our people being greatly worried or concerned, without their being panic stricken and without making them tend to put their savings in the old sock.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. HARRIS (Danforth): Mr. Speaker, in reference to the summary which I gave showing how we could add during the current year some $50,000,000 to our revenue and avoid the necessity of taking from our people, by way of borrowing and freezing up, a large sum of money, but rather add the extra taxation which would come into the treasury from the cancellation of the sales tax exemptions of the last five years, and also the cancellation of the income tax exemptions, while it is rather difficult to estimate how much more revenue we could get, it would certainly be very considerable. I am satisfied that the grand total would approximate one-third of the deficit for which we have budgeted; it would emphasize the fact that we are at war; and it would be good medicine for the Canadian people.

The next best way to conserve funds in a treasury is to save what we have. Non-war expenditures, the minister says, are being reduced by $77,000,000, over three-fourths of which represents the absence of expenditures on public works. I am in accord with that action, and I believe that a similar course should be taken in the case of personnel. According to the estimates, the civil service numbers, in round figures, thirty thousand; it was the same last year and the year before. But this year, in connection with the war effort, we have added without let or hindrance hundreds of employees in the new service of munitions and supply. By all means put on a staff in that department, and do a job, but let us keep our heads. If we have made a great saving on public works, surely some effective use can be made of the employees, with their experience of many years in the putting up of buildings, and of the plans in their archives, and they are good plans, because most public buildings which have been erected in Canada in the last ten years are a credit to the department. Nevertheless, although they have the plans and specifications, we find that much delay has occurred in drawing new specifications for buildings which are required in connection with the government's war effort. The point I wish to make is that architects, engineers, designers, draftsmen and estimaters connected with the public works department are not engaged in the putting up of new buildings this year. There must be quite a large personnel, therefore, which could have been drafted into the service of the Department of Munitions and Supply, thus saving a considerable amount of money. A day or two ago I put on record certain statistics in regard to personnel. I was amazed to find that in the Department of Public Works, the department which the minister rose to defend last evening, the number of employees has risen from 1,754 last year to 1,771 this year.

I should like to make reference along the same line to other departments of government which seem to be drifting. The ministry has failed to place at the head of the departments I have in mind men with sufficient driving force and initiative. Take, for example, the Post Office Department. Under none of the governments which we have had in the past decade has there been a minister who

has given continued adequate direction and driving force to the work of that department. It has drifted along, and one result is that the personnel has increased from 10,800 to 10,900. What I have said of that department applies also to the Department of Transport. It is not fair to ask the Minister of Munitions and Supply (Mr. Howe) to administer also the Department of Transport. The government has been lax in not placing at the head of the latter department a minister who can give it all his attention. Its importance in these difficult days need not be emphasized. As the hon. member for Davenport (Mr. MacNicol) said a few days ago, in that department or somewhere in the government service there should be a traffic manager to control the work of transport and give right of way to all activities having to do with the furtherance of our war effort.

There will be a vacancy shortly for a Minister of Finance. I hope that a man with some vision and initiative, one who realizes the difficult position we are in, will take charge of that department immediately the present minister vacates it. He has done a splendid job of work as far as he has gone, although, as I intimated in my earlier remarks, in my opinion he has not gone far enough.

I hope that the Prime Minister will carry out the pledge he gave to this house two or three nights ago when he said that his administration was a truly national government inasmuch as it represented 180 of the constituencies in Canada. He went further and declared that any constructive suggestion from any part of the house would be given serious consideration by the government, and that in this time of stress and strain this truly national government would give effect to worthwhile suggestions no matter where they might come from. Well, I suggest that the summary of other moneys that could be raised in Canada be given consideration by the government.

I make another suggestion. If it were possible to take a secret ballot of the members of this house, if it were possible for the members to divorce themselves entirely from any influence whatever, for example, from the liquor interests in relation to the liquor tax suggestions that I have made, from the packing industry in relation to the traffic in vegetable oil and the suggestions I have made in that regard, from the gasoline interests of Canada in relation to the suggestions I have made on that subject—if it were possible, I say, for all hon. members in this house to dissociate themselves entirely from these several interests and to take an independent view of, and give a secret ballot on, these questions and on the question of the sales tax exemptions and the exemptions in connection with income tax, then, if my judgment in these summaries did not carry two-thirds of the considered opinion of this honourable assembly, I misjudge the feelings of hon. members during this difficult time.

When the Minister of Finance (Mr. Ralston) moves over to his new position as Minister of National Defence, he will face a difficult task. I presume the Minister of National Defence for Air (Mr. Power) will have a department entirely his own, and I do not know whether he will be answerable to the Minister of National Defence. Whether he is or not, however, each of these departments should go forward with energy and industry on behalf of Canada. I would ask these two ministers to consider the suggestion made some days ago by the hon. member for Weyburn (Mr. Douglas) with regard to a department of economic warfare, with someone charged with the responsibility of looking after economic warfare as far as Canada is concerned. Perhaps, also, as a subdivision of one of these ministries, as in Great Britain, there might be a branch to take care of home defence and of home security. There should be some one to assume full responsibility for that very important feature of our national safety.

In the last ten months we have failed dismally to give the people of Canada some idea of what will be done in that respect. Municipalities and provinces have been harassed and worried about the situation. The freedom with which firearms are sold by retail stores in the large centres of population is something that concerns those charged with municipal administration; and when we find aliens being interned, their premises being searched, as in two of the large cities within the last month, and rifles and rounds of ammunition being found on these premises and confiscated, I say to the Department of Justice that they should draft into legislation immediately some provision for licensing every single individual, whether he be a Canadian or an alien, if he is permitted to have rifles or firearms of any description. I suggest, further, that the department should quietly see to it, when the hunting season arrives and there are tourists in our midst, that it knows who are carrying firearms, and have such persons submit to the law, if such a law is enacted. We must have an active branch of the service to look after our home affairs. If we have such a branch, we shall go a long way towards allaying the feeling of unrest which exists among the people that all is not well.

The new ministry of national service should immediately take in hand the matter of voluntary service. In answer to a question I asked the other day, the statement was made

that 15,000 persons or thereabouts had expressed a desire to render voluntary services to Canada. What is being done with this great potential factor which would be of real service to the country? It is indexed into 150 major classifications, into some 300 trades, but it seems to be pigeon-holed. There are 550 classes of people who have been indexed, comprising 15,000 of the finest people in Canada, technicians of all kinds, citizens who are well trained in certain lines, and only the odd score of them have been accepted at a dollar a year. This new department should immediately take hold of this nucleus and from it expand Canada's national effort so as to give our people a chance to be of real service. I am of the opinion that the organization of such voluntary service could be entirely self-sustaining.

We have letters coming from all sources asking us to take advantage of the services that are being offered. I read in the Ottawa *Journal,* under date of June 20, that 700 school teachers had volunteered their services to register men under Canada's proposed mobilization scheme. The chairman of the board of education in Hamilton addressed himself to the board of munitions announcing that they were ready to give their services in any capacity. They do not want to take holidays. I have a letter from a school-teacher who is anxious to work for her country free of charge during her summer holidays. In Britain something is being done in this regard. The entire population, it is suggested in a resolution submitted by thirty or forty British members of parliament to the Prime Minister, should be divided into armed forces and others, the latter being subdivided into producing groups to be kept at regular jobs, and non-producers subject to immediate call to serve in any capacity.

I had the privilege of presenting to this house—and even though I was out of order I managed to get it embalmed on the record of the house—a petition from eleven thousand people who were anxious to do something on behalf of Canada. Since then I have received a copy of a letter addressed to the Hon. Mr. Power, Minister of National Defence, under date of June 12, which reads as follows:

> At a meeting of the above association (Toronto auxiliary defence unit No. 1) comprising twenty-eight organizations in the east end of Toronto, it was decided to write you offering our help in any way you might suggest.
>
> The purpose of the association is to stimulate our war effort, and to cooperate with the proper authorities in home defence. Our city is located on lake Ontario and is vulnerable from any effort to cause trouble which might be directed from New York state. Recently at a mass meeting eleven thousand citizens signed a petition that was sent to Ottawa.
>
> If the government are planning any national registration we would be glad to cooperate and to undertake the registration in ward eight.
>
> Included in our association are the members of two posts of the Canadian Legion, and we would ask permission to organize and drill a home defence unit, also that we might be permitted to raise funds through theatre parties etcetera to equip this unit.
>
> Assuring you of our support, and hoping for your cooperation, we are,
>
> Yours truly,
> Toronto Auxiliary Defence
> Unit No. 1.

On June 13, I received a letter from the Canadian Progress club in Toronto, with three sheets of individual signatures, some seventy-five in number. This came to me out of the blue; I knew nothing of it. It reads:

> At a meeting of the Canadian Progress club, Toronto down-town, held to-day, the members unanimously decided to send a joint letter to the Minister of Defence and the members for Toronto and the Yorks, urging that in view of the present emergency everything possible be done forthwith to further Canada's war effort, so that it may be completely worthy of the country's capacity and of the spirit of its citizens.

And this is the important part:

> We pledge ourselves individually and as members of the Canadian Progress club, Toronto down-town, to support to the limit of our abilities every call and demand that may be made upon us. We earnestly hope that some definite task may be given to our club, and to each and every one of the undersigned members. As a Canadian service club we stand ready to serve our country to the limit.

That is signed by the president, S. Hume Crawford.

These are substantial citizens, and I will see to it that their request and their signatures get into the hands of the responsible ministers.

Then from the west end of Toronto I got a letter from another Canadian Progress club, along much the same lines. They say:

> We have taken the privilege of petitioning the hon. Minister of National Defence and for your information we enclose a copy of our communication to the minister.

They also say:

> We pledge ourselves individually and as members of the Canadian Progress club, Toronto West, to support to the limit of our abilities every call and demand that may be made upon us.

I have another suggestion which emanated from a discussion that took place in Toronto over the week-end. We have 245 members of parliament. We draw an indemnity for twelve months' work. We work about twelve weeks, and sometimes think we are underpaid. Parliament will soon be prorogued. We have just come through a dominion election. We know our constituencies. Why can we not

take charge of our individual constituencies and relieve the government and the treasury of the cost and burden of the national registration? We have our bureau of statistics, and the chief electoral officer. I hope the bureau of statistics has the necessary cards already printed for the information required. The chief electoral officer could assist in that regard; between him and the bureau of statistics the cards could be prepared, and surely we members of parliament would be glad to step in and take charge of our individual constituencies. It might cost us something. Let us conscript the war chests of the parties in this house and use them to pay the cost.

Mr. GARDINER: The Cooperative Commonwealth Federation seems to have one.

Mr. HARRIS (Danforth): In like manner as income tax is not collected on an overdraft, of course those who have no chest will not be conscripted. But let those war chests be used as some of the funds to pay the cost. Some parties, I am sure, could subscribe a substantial overdraft, and the same parties that have the overdraft are the parties that will do a real job of work if the government asks us to assist in this regard.

I have a letter signed by James Labbett, treasurer of ward eight, central executive council, Toronto, stating:

> I thought it would be a good time for the government to save some money by having each M.P. take over his riding and arranging to have the registration taken by his election organization, all work to be done gratis. The members should all have enough good men and women who would be willing to do this without pay. I know that I can get enough from our riding even if we have to man all subdivisions. By doing this the only cost would be the printing of cards, etcetera.

These are a few suggestions. In closing, I should like to summarize some of them. Tell the country that we in future are going to defend Canada. Let business make capital expenditures with confidence; we will continue to maintain, modernize and enlarge our defence system. Present contracts will be honoured, further contracts entered into, coastal defences maintained and modernized. In future all young men will receive military training. Equipment and clothing will be purchased continuously. Great Britain will be assisted to the utmost. The cabinet will be strengthened by the appointment of ministers to the Post Office Department, the Department of Transport and the Department of Finance immediately. An economic warfare division will be considered. Home defence and home security will be given immediate attention. A national war service ministry will be set up, and voluntary service registration put to use on behalf of Canada. Let us have a holiday on holidays and the spare time of our citizens be put to work on behalf of Canada. Winning the war is all that matters, all that ever mattered. Organize an "all out" war effort; think and act now for ourselves; give the signal, "full speed ahead." Gear all action to our war effort. Do not depend on the Monroe doctrine; do not expect that we can shelter ourselves forever under the wing of the British navy. And remember that the eagle's nest is rather crowded and that we should not be a cuckoo bird and try to crawl into that nest.

Every true Canadian is anxious to do something. The word "sacrifice," as the Minister of Finance well said, has a much nobler meaning than is given to it in common use. It is the contribution that our soldiers, sailors and airmen are making for us. All Canadians, from whatever race they spring, will not shrink from their fair contribution. New Canadians who came here in the last few generations to find freedom and liberty, together with French-Canadians who were Canadians long before some of the rest of us were, know no other place that would give them the same freedom that Canada gives them, and they will fight for it. Those who have their origin a few generations back in the British isles, will all rise with the others as one man and see that Great Britain and Canada shall not fail, that freedom shall not perish, that democracy shall survive. With reverence and humility I say: Fear God; with loyalty, honour our king; with sincerity serve our country. Canada, carry on. Carry on, Canadians.

Mr. E. E. PERLEY (Qu'Appelle): Mr. Speaker, this afternoon when motions were called I endeavoured, under standing order 31, to move the adjournment of the house for the purpose of discussing a definite matter of urgent public importance, namely, the action taken by the government to establish minimum prices for certain grades of cash wheat in store at Fort William and Port Arthur to December 31 of this year. After a little discussion you ruled that there might be other occasions on which this matter could be discussed. Finally the Prime Minister (Mr. Mackenzie King) graciously suggested that I might follow the hon. member for Danforth (Mr. Harris), who has just taken his seat, and that I might say anything I desired to say with respect to this all important question during this budget debate. This puts me to some extent in an unfortunate position, because I had not intended to speak on the budget at this stage. I had expected to have the week-end to prepare something rather different

from what I have to say to-night. However, I may have another opportunity to speak, if there should be an amendment moved, which I understand to be quite possible.

I shall now refer briefly to the subject I desired to draw to the attention of the government and of this house this afternoon. About nine o'clock last evening I was in my office in this building when the telephone rang. A member of the press called to ask me if I knew anything about what had taken place on the Winnipeg grain exchange yesterday. He said he had a telegram from a newspaper in Wall street, New York, asking for a 200 word message with regard to the meaning of the action taken yesterday. He came to my room with the telegram, but I knew nothing about the matter and could give him no information. I think he might better have gone to the Minister of Trade and Commerce (Mr. MacKinnon). However, in the air mail this morning, about an hour after the regular mail was distributed, I received a letter enclosing a copy of a notice that was posted on the bulletin board in the trading room of the Winnipeg grain exchange yesterday morning, as follows:

Winnipeg Grain Exchange

June 26, 1940.

Minimum prices for cash wheat

At the request of the federal government the council hereby establishes minimum prices for the certain grades of cash wheat "in store" Fort William and for Port Arthur, as follows, below which no transaction in the grades of cash wheat for delivery during the dates specified shall be made:

Then are set out the dates and the minimum prices for No. 1 northern Manitoba wheat, as follows:

1940	
June 26-29	71 1/8
July 1-Aug. 3	71 3/8
August 5-10	71 5/8
August 12-17	71 7/8
August 19-24	72 1/8
August 26-31	72 3/8
September 2-7	72 5/8
September 9-14	72 7/8
September 16-21	73 1/8
September 23-28	73 3/8
September 30-November 9	73 5/8
November 11-16	73 7/8
November 18-23	74 1/8
November 25-30	74 3/8
December 2-31	74 5/8

This would indicate that in order to receive 3½ cents over what is termed the fixed price of 70 cents, the farmer will have to hold his wheat for about four months after the new crop comes in. Then the notice goes on:

The minimum prices for other contract grades shall be at the deliverable discounts, which are as follows:

	Cents under No. 1 northern
No. 2 northern	3
No. 3 northern	8
No. 4 wheat	10
No. 4 special	22
No. 1 C.W. garnet	12
No. 2 C.W. garnet	15

Then it states:

The aforesaid minimum prices shall apply as from June 26, 1940, at 11.30 a.m., and shall remain in force until cancelled or changed by authority of the council.

Also enclosed in this air mail letter was a copy of a broadcast sent out from the exchange at noon yesterday. The letter indicated also that as soon as this notice was posted the members of the exchange telegraphed all their agents in western Canada. The broadcast was as follows:

To all elevator agents in west:

The wheat market is now at "pegged prices" established at request of the federal government, and we are unable to hedge country wheat purchases at present. Therefore, all elevator agents are instructed to cease purchasing wheat, effective immediately, and all open market wheat prices are hereby cancelled.

You can, however, continue to accept wheat for wheat board account up to the five thousand bushel limitation, also for wheat cooperative marketing account, or for storage.

If a customer wishes to make sale of wheat, you must wire the party's name, bushels, grade and position, and if and when sale is made, you will receive confirming wire.

All orders will be handled in rotation.

The broadcast was made on behalf of the Alberta pool elevators, the Manitoba pool elevators, the Saskatchewan pool elevators, the United Grain Growers Limited, and the North-West Line Elevators Association. I am also informed that when the notice was posted in the exchange yesterday morning there was no trading done; there was no buying of wheat, even by the domestic milling companies. I should think the government must be rather worried when they allow such action to be taken without due notice to the public or to this house.

At this point may I ask the question: What will happen to coarse grains? No one knows. But it was stated yesterday in the broadcast that the price of oats, where the freight rate was 21 cents a hundredweight, would be 16½ cents for C.W.; 11 cents for feed oats; 17 cents for C.W. barley; 12 cents for 3 feed barley; rye, 24 cents for C.W., and 17 cents for 4 C.W. Since May 16 many hon. members on this side of the house have on different occasions tried to get a statement from the Minister of Trade and Commerce or the Minister of Agriculture (Mr. Gardiner). We have asked what they proposed to do with respect to making amendments to certain

legislation, and the only reply we could get was that they had the matter under consideration.

We are now in the final stages of the session, and we have seen no indication of any kind of any changes, or any action that may be taken by the government with regard to the marketing of the coming crop. The order paper is now practically clear, and yet we have heard nothing from the government.

Yesterday, however, the government policy was announced—not here in the House of Commons, but on the Winnipeg grain exchange. That is not treating members of parliament fairly. We are sent here to consider important matters connected with marketing, and so on, and we have endeavoured to obtain a statement of policy. It was only proper that any change in policy, or any definite policy should have been announced here, so that hon. members would have had an opportunity to discuss it. This may have been the middle course, however, suggested by one of the cabinet ministers, but in my opinion the first statement should have been made right here in the House of Commons.

Wheat production and problems connected with the marketing of wheat should be considered here. This action by the government, without notice to parliament, has created an unprecedented situation in connection with the marketing of wheat. What have we to-day? We have an open market, so to speak. In Winnipeg we have the announcement that they will not buy wheat. Their agents are definitely instructed not to buy any wheat, and that order took effect immediately. Apparently the wheat board is not functioning properly. When the minister replies, I should like him to tell the house who is really in control of the Canadian wheat board. Where did they get their instructions? Who is dictating their policy?

An uncertainty has been created with regard to prices for the new crop. Some hon. members on this side of the house for two or three weeks have been endeavouring to get a statement from the ministry respecting the handling of the new crop. I say that at this time we should have a definite statement of policy from the minister. That statement could have been given in the budget, because on former occasions that has been done.

The hon. member for Danforth has said that the farmer has been forgotten in the budget. On previous occasions he has not been forgotten. The Minister of Finance (Mr. Ralston) did deal with some matters pertaining to the cost to the country of carrying the wheat, and I say that when he was making that statement, a definite announcement of policy might have been made. We should have an explanation from the minister telling us whether or not there will be any amendment to the Canadian Wheat Board Act. The Minister of Agriculture promised in February, March and April to the people of western Canada that amendments would be made. I am informed further that an announcement of policy was made recently on the grain exchange to the effect that the minister had promised that during this session an amendment would be introduced which would strike out the clause limiting to 5,000 bushels the amount which could be delivered to the board. That is proof that he had in mind some amendments.

We know that the producers in western Canada have asked for full government control. It is not necessary for me to recite now the numerous resolutions which have been passed by different organizations in western Canada, and particularly the great grain handling organizations, such as the pools in the different provinces. They have asked that the government take over full control of marketing of all grain—not only wheat, but coarse grains, too. Then, within the last few months, and particularly since the war broke out, they have asked that the grain exchange should be closed for the duration of the war. At the same time they have asked for a fair price.

I agree with the hon. member for Danforth when he says that the farmers are not asking for anything unreasonable when they ask for fair treatment. They have asked for a fair price, particularly at this time when apparently there is only one market and only one buyer. I say they should know what that price is to be. Why should there be any intermediary between the wheat board and the British buyer? I cannot see why, unless it is to keep that organization in business, and to pay them certain service charges which I do not think they earn. I do not believe those charges are earned, especially when we have a board which is getting all the wheat. I believe great savings could be made in respect of those storage charges.

In the session of 1939 I made what I considered were constructive suggestions, by way of amendments to different bills. I paid particular attention to Bill No. 63, which involved an amendment to the Canadian Wheat Board Act, and fixed the price at 70 cents. On that occasion I suggested a price of 80 cents, and would have gone even further. I made the further suggestion, however, that whether the price was 70 cents or 80 cents, or whatever it might be, there should be added to it each month one cent to encourage the farmer to hold his wheat on his farm. What would that mean? It would mean that much of the storage

now being paid to elevator companies would be retained by the farmers who held their wheat on the farm. Of course no one would suggest that they could hold all of it, but if they could hold one-third or one-quarter it would effect a great saving.

On February 9, during the campaign I received a report from the bureau of statistics. I had written asking them respecting the amount of wheat then in storage and being carried by the government, and on February 9 I received a report that the Canadian visible wheat in store at interior and terminal elevators amounted to 332,000,000 bushels. It was stated also that the storage charges amounted to $110,700 a day. On that basis it works out at $3,332,000 a month or about $40,000,000 a year. There may not be that amount of wheat in store for a year, but we know there will be nearly that much. That is three and a half times the amount of the bonus which will be paid to the farmers in crop failure or partial crop failure areas throughout the west.

If the farmer were paid the one cent per month per bushel that the elevator companies are paid, even though he held only one quarter of his wheat in store, it would mean a tremendous advantage to him. The saving to the government would not be very much because they would be paying to the farmer the one cent which they now pay to the elevator companies, but there would be a saving on the 70 cents a bushel invested in the wheat the minute it is delivered to the board or to the elevator company. That is, if the wheat were not delivered until December or January or February, there would be an interest saving for that time on the 70 cents. That saving would be considerable.

I have another complaint to make against the board. They made an agreement with the members of the grain exchange that storage charges would start on the day the wheat was delivered to the elevator in the country, or at least on the following day. These charges start the moment the board in Winnipeg receives the duplicate ticket as issued by the grain company. The storage starts just as soon as that ticket is registered in the office of the board. Those hon. members who are not familiar with the grain business may not know just what is involved in that. Under the Canada Grain Act the farmer is entitled to fifteen days' free storage after his wheat is delivered to the interior elevator. He can allow it to remain free in the elevator for fifteen days, after which time he must give instructions that it be shipped out or agree to pay storage. The time of transit to Winnipeg is seventeen days on the average. I think it runs twelve days from Manitoba, seventeen from Saskatchewan and twenty-two from Alberta, but the average is seventeen days. This means that the wheat is in box cars for seventeen days. Under the Canada Grain Act the farmer is entitled to ten days' free storage at Fort William. Under this agreement storage is actually being paid for the time the grain is in box cars. This is something that was never heard of before under any government or at any time. Fifteen and 17 and 10 amount to 42. At a thirtieth of a cent a day, this mean that the companies receive at least a cent and a third per bushel for what should ordinarily be free storage. When one considers that 330,000,000 bushels are involved, he will see what a nice gift these fellows in Winnipeg have been given. I protest vigorously against that arrangement.

I have another complaint to make with respect to the service charge of four cents a bushel which is allowed the grain men by the board. The first charge by the elevator company is 1¾ cents a bushel, and then there is the ordinary commission of one cent a bushel. They may be entitled to the 1¾ cents a bushel, but what do they do for the other commission of one cent? About all they do is to hand the wheat over to the board. They should not be allowed more than two cents at the most. This would mean they would receive the 1¾ cents a bushel elevator fee and a trifle more for looking after the papers and delivering them. There is no reason why they should receive any more because they do not even find a purchaser or make a sale.

Mr. CRERAR: That is for the wheat the elevator companies purchase outright for cash.

Mr. PERLEY: That is for the wheat which they take into their elevators and hold for the board. They receive this four cent service charge, which is an absolute misnomer.

Mr. CRERAR: Are they not responsible for weights and grades?

Mr. PERLEY: Yes, they are, but the 1¾ cent fee covers that. The wheat policy of this government is in a hopeless mess. There has been no real report made since 1936. No one knows just what is the position of the wheat board or just what finally happened with respect to the 1938 crop. The Minister of Finance in his budget speech gave us some indication of what the loss might be, but no report has been made from which one can intelligently discover the exact position of the government and the board with respect to the 1938 and 1939 crops.

An advisory committee should be set up at once. If we had such a committee we would

not be faced with the spectacle with which we were faced yesterday. The definite promise was made during the campaign that provision would be made for the appointment of this committee as soon as the house met. I think the minister should tell us who is in control of the wheat board and who are the advisers of the board in Winnipeg. We should be told what members of the cabinet make up the advisory committee, how often it meets with the board and so on.

The farmers of western Canada have never been satisfied with the price of 70 cents a bushel which was set for wheat. I can recall the discussion on Bill No. 63 which took place last year, but I am not going to take the time to refer to it now. All I shall do is to recall to hon. members the protests which were received from all over the west against the setting of the price at 70 cents. We had a resolution submitted by a western committee headed by Mr. Bracken as well as a petition signed by some 600,000 people of western Canada. The farmers want a fixed parity price comparable with the price they must pay for the products of industry. The farmers are willing and anxious to do their part, but they want an equal sacrifice by all. I understand that last September the British government made a suggestion to this government, when they appointed Mr. Rank, that they would be willing to consider a fair price. Possibly the Minister of Mines and Resources (Mr. Crerar) will shake his head. He made a trip overseas on behalf of the government to discuss the matter. But before he did so, I understand a definite proposal was made, when Mr. Rank was appointed sole purchaser of wheat and other food cereals for the United Kingdom and France, that if the government would close the Winnipeg grain exchange the allies would consent to a fair price. I make that statement on good authority.

Mr. ROSS (Moose Jaw): What is the authority?

Mr. PERLEY: My authority is that a note was sent to me in this chamber by the then Minister of Trade and Commerce, Mr. Euler, inviting me to go to his office; I was with him there an hour, and he told me the story, and informed me that his colleagues in the cabinet would not allow him to do what he was asked to do.

Mr. ROSS (Moose Jaw): When was that?

Mr. PERLEY: Now, sir, we discussed the price.

Mr. ROSS (Moose Jaw): When was that?

Mr. PERLEY: If the hon. member would just keep his seat for a little while—

[Mr. Perley.]

Mr. ROSS (Moose Jaw): I am not rising. I just asked when this took place.

Mr. PERLEY: This happened about the 9th or 10th of September last, just before we went home.

Mr. ROWE: Page Euler!

Mr. PERLEY: I asked him about the price. I suggested what it might be. He said he could not tell me that. I offered a guess. He, naturally, would not tell me. But he did tell me it was practically agreed that the grain exchange would remain open until the price of wheat reached about a dollar and a quarter.

Those are the circumstances. I say this, that had this government and the wheat board made a reasonable, businesslike suggestion to the British government last September, we would have had a much better price than seventy cents; we would have had nearer a dollar for the duration of the war, and we would not have had the mess we have to-day.

Without going into any long argument on this matter, because I should like to refer to a few other subjects of importance to the west, I contend that we are entitled to a statement from the minister. He should tell us whether there is to be any amendment of the wheat board act. We in the west were given to understand that there would be an amendment, as soon as the house met, making provision for an interim payment.

In this connection I desire to lodge a vigorous protest concerning the method which the government employed in announcing their policy to the end of December 31 of this year. We should have to-day an announcement by the minister as to how the government proposes to handle the 1940 crop. We should know what the price is likely to be. A full report should be tabled with respect to the 1938 crop and the final disposal of it, so that the matter can be discussed upon an appropriate item of the estimates. We should have a full report to date on the 1939 crop, showing exactly, from a financial point of view, where the government stands with respect to the wheat they are carrying, what advances have been made, and so forth. Not since 1936, may I point out, have we had a proper report. There is not an hon. member who knows to-day what the government's policy is. Certainly none of us knows where we stand financially with respect to this whole wheat business. I say that this parliament is entitled to know. It was due to hon. members to have this matter discussed long before now, and to know the reasons for the action which was taken. Will there be any amendment made to existing legislation? We should know that

to-night. Will an advisory committee be appointed? Give us an explanation why the action was taken yesterday which was taken.

Under war conditions there should be full government control. If I had the time I could show, by quotations from the evidence presented to the Turgeon commission, that in an emergency or a crisis of this kind no useful purpose is served by the existing organization, or grain exchange. Evidently, to judge by a statement broadcast by the Winnipeg grain exchange yesterday to their agents, they themselves have decided to quit business. What is the government going to do about the matter? I think we should know.

Let me say a word generally with respect to the budget. This is a war-time measure, and I do not know that I have very much criticism to make. As far as the west is concerned, it does not affect the farmer very much. There is a substantial increase in income tax, but, as we know, that will not affect him. I believe it was the general expectation in the west that there would be some increase in taxation, particularly in the sales tax. We are pleased to see that there is not, but if there had been I believe the farmers are patriotic enough to have taken it graciously, because they are willing to do their part. However, we have no complaint to make with respect to the new taxes. Certain customs changes may affect us to some extent.

The all important matter, and one with which the budget does not deal definitely enough, is the situation of internal trade at the present time. The hon. member for Danforth made the statement that, with the exception of wheat, of which only thirty per cent is consumed at home, at least ninety per cent of our primary products are absorbed by the domestic market. He dealt with the important question of developing industry. I believe that this government should turn its attention to the encouragement of industrial development in the west. If action in a businesslike fashion were taken in that direction, much could be done to relieve unemployment.

Last year, speaking on the budget debate, I made one or two suggestions which at that time were regarded as rather drastic. I proposed that we should start a beneficial circle by increasing the price of primary products in Canada. I would not hesitate to double prices. That would start a beneficial circle in the domestic market. I believe, if you double the price of hides, wool, and other agricultural products, it would mean very little to the cost of a pair of shoes or a suit of clothes, but it would increase the circulation of money in our home markets and relieve unemployment. I went so far as to suggest a domestic price for wheat of $1.20 a bushel. There was evidence—I do not have it under my hand, but I recall that I then produced it—given before a committee of this house by millers and bakers that a variation in the price of wheat from 70 cents to $1.60 a bushel did not make more than half a cent difference in the price of a loaf of bread. Why not have a reasonable domestic price for wheat if it will not affect bread consumers any more than that? That would be something worth while.

I suggested last year, and I am going to suggest again—I believe I had the support of the hon. member for Rosthern (Mr. Tucker) in this matter—that powers should be given by amendment to the Bank of Canada Act or by some other legislation to enable the government to issue currency against the wheat that they are carrying, because to my mind wheat is almost as good as gold. Wheat does not readily deteriorate, it will keep; and when you eat it, or when you sell it, you can call in your currency. That could be done and it should be done. It would save the interest that the government is paying on the amount it has invested in the wheat.

I suggested a long range marketing policy. I will not go into that now, but I showed that there should be a parity of prices. We have been given definite promises with regard to certain measures that might be brought down this session which would materially affect western Canada. I did not see in the budget nor did I hear any reference to prices of agricultural implements. We know that this government in 1936 and 1937 carried on an investigation, and the Minister of Agriculture (Mr. Gardiner) boldly rose in his place in this house last year, in the early part of the regular session, and threatened the implement companies if prices did not go down, if they did not do so and so. Well, prices are up and we have not had any action. We should have some action in that regard, however, because the minister must have had something in mind when he made that statement.

I say, Mr. Speaker, that the farmers can no longer continue under present conditions. Their income has depreciated to a very considerable extent. We shall continue to have surpluses in primary products for a number of years. The government must not think they can regulate the prices to the farmer for his wheat or cattle or hogs or other primary products on the basis of surpluses that are in the show window, so to speak. That will only

mean lower prices. They must take constructive action. As I say, the farmers' income has depreciated considerably.

Mr. SPEAKER: The hon. member's time has expired.

Mr. PERLEY: I shall be only a moment longer. I wish to quote certain figures I have been given by the bureau of statistics. I wrote to them the other day saying that I was going to prepare a statement on the budget with respect to farmers' income. I have received from the bureau a statement showing the income of farmers in the three prairie provinces from 1926 up to the present time, taking the year 1926 as one hundred. I will only give Saskatchewan in order to save time. The figures for the following years are: 1927, 90; 1928, 103; 1930, 37; 1933, 21; 1936, 30; 1937, 24; 1939, 30. In other words, the farmer's income in 1939 was only 30 per cent of what it was in 1926. Does any hon. member think that the farmer can continue under such conditions? He cannot carry on when his income to-day is only 30 per cent of what it was in 1926. I do not think anyone will suggest for a moment that it is possible for him to do so.

I am disappointed that the budget was not more definite about certain matters; but now, since my time has expired, I will say this. I may have a chance to discuss this matter further if there is an amendment, as I think there will be, but I regret that this government has not been more definite and has not made a pronouncement with respect to this whole matter which is so important, having to do with the marketing of the western crop. Before now we should have had a statement from them, having regard to the announcement posted yesterday in the exchange.

Hon. J. A. MacKINNON (Minister of Trade and Commerce): I do not intend to go fully into all the points raised by the hon. member for Qu'Appelle (Mr. Perley), but there are some statements with which I feel bound to deal at this time. The hon. member is altogether under a misapprehension as to the purpose of the announcement made by the wheat board from Winnipeg. It seemed to me he was confused in thinking that the new regulations dealt with the 1940 crop. The continued marketing of last year's crop was what was being dealt with by the board, and this regulation was considered necessary to make it possible for wheat farmers with wheat still on hand to sell it. The board came to this decision and, having done so, telephoned to me to acquaint me with the position as chairman of the wheat committee of the cabinet. It is a purely temporary matter having nothing to do with the marketing of the 1940 crop, and will be superseded, I expect, by decisions and regulations for dealing with the coming crop.

Mr. PERLEY: Why does it mention December 2 to December 31? That is the notice posted.

Mr. MacKINNON (Edmonton West): I am coming to that. The prices mentioned are put there to enable the buyer of wheat to hedge against his purchases of wheat at the present time. On May 18, the wheat board, after consultation with the wheat committee of the cabinet, requested the grain exchange to peg the wheat futures market at the closing prices of Friday May 17, which were: May, 70⅜; July, 71⅛; October, 73⅝. This action was taken owing to the fact that on Saturday morning, May 18, the market declined 10 cents a bushel to 60⅜ for May wheat. The reason for this decline was as I stated in *Hansard,* May 20, at page 20.

> While several factors have entered into the situation it seems clear that the changed war picture has been a predominant influence in the decline in commodity and securities markets. The fear of lost markets and the general financial unsettlement have created a feeling of uncertainty and resulted in general and drastic liquidation on the part of holders of wheat.

It was clear at the time that if the futures market fixed itself at the pegged price asked, with no buyers, it would be necessary to peg the cash wheat prices in proper relation to the futures, because otherwise the pegging of the futures market would be ineffective. The action of the market, then, from May 18 to June 22 was such that it was unnecessary to peg cash wheat prices. In other words, the futures market did absorb, at prices at or about the peg, any selling or hedges which developed. On June 25 it was clear that owing to the action of the market on June 24 and 25, the elevator companies were not able to hedge on account of the market being at the pegged price asked.

Further action was considered necessary. Consequently, after consultation with the government, the wheat board addressed a letter to the grain exchange under date of June 26 asking them to take the necessary action to peg prices of cash wheat in proper relationship to prices as fixed for the futures in the action taken on May 18. The meaning of such action is that neither futures nor cash wheat can be traded at prices below the fixed minimum prices, and this is mandatory on all members of the grain exchange until further notice. It should be clearly understood that these are minimum prices, and there is no obligation on anyone to make purchases at these prices unless demand materializes. It has the effect, how-

ever, of preventing the sale of wheat at prices below the minimum. Any farmer, however, who has less than 5,000 bushels may deliver his wheat to the board and receive 70 cents a bushel basis No. 1 northern Fort William; or any farmer who has over 5,000 bushels may deliver the surplus to the pools set up under the Cooperative Marketing Act, or place orders for the sale of his wheat with any elevator company. This will be sold when and if a demand arises at or about the minimum price.

It should be clearly understood that this is merely a temporary measure in order to stabilize the situation pending a decision as to what method shall be followed in handling the new crop. These minimum prices have been fixed up to December 31 for the reason that at the present time the December future is open for trading. Consequently cash prices must be fixed until the end of December, in order to make the minimum price system effective on forward sales. The fact that this has been done has no bearing on any action that may be taken regarding the new crop.

Further I would say that consideration is being given by the government and the wheat board to the method of handling the new crop. A decision cannot be made at this time, in the opinion of those advising us, on account of a number of factors which will enter into the situation between now and the beginning of the marketing of the new crop, such as the development of the present growing crop, the general war situation and its effect on the probable demand this coming year, plus the effect of growing crops in other parts of the world, particularly the United States. The situation is being carefully watched from day to day, and a decision on the method of marketing the new crop will be made as early as possible.

Mr. PERLEY: Would the minister tell us who are the advisers of the government whom he just mentioned? Also why is it necessary for the elevator companies to hedge their grain if they are not buying it? It all goes to the government, or on the government account; there is no responsibility.

Mr. GARDINER: What they take is the surplus over 5,000 bushels.

Mr. PERLEY: They take the grain in at the 70-cent price on government account.

Mr. ROSS (Moose Jaw): No.

Mr. PERLEY: What do they do?

Mr. ROSS (Moose Jaw): It depends on whether they are taking it for the board or the open market.

Mr. PERLEY: They are taking it all for the government.

Mr. GARDINER: They cannot take anything over 5,000 bushels for the government; this has to do only with over 5,000 bushels.

Mr. MacKINNON (Edmonton West): When I referred to the advisers of the government I referred to the wheat board.

Mr. T. C. DOUGLAS (Weyburn): A discussion of agricultural marketing in general, and marketing of wheat in particular, has been long overdue in this house. We have waited now for some six weeks, hoping to have a statement from the minister and to have the policy of the government outlined, but so far without any great result. The hon. member for Qu'Appelle (Mr. Perley) has rendered a service, particularly to western Canada, by raising this matter this afternoon. I am only sorry that the minister did not give a fuller answer, and a fuller insight into what the government's policy is to be.

I need hardly remind hon. members that west of the great lakes wheat is still king, because our climate and topographical features are such that our economic welfare is irretrievably bound up with the growing and marketing of wheat. A favourable wheat marketing policy means reasonable prosperity for western Canada. Lack of such a policy means bankruptcy, not only for some three hundred thousand wheat producers but also for those other thousands of individuals and many organizations whose livelihood is bound up with the prosperity of the prairie farmer. With those facts in mind I want briefly to outline the wheat marketing policy that has been in vogue during the last few years.

In 1935 there was brought down in this house the Canada Wheat Board Act, which in its original draft provided for the sale of all wheat to the wheat board, the farmer to receive an initial guaranteed price and a participation certificate. It was the present Minister of Finance (Mr. Ralston) who led the opposition at that time to the compulsory features in that legislation. When that act finally passed this house, it provided that the farmer could deliver his wheat either to the wheat board or to the open market. If he sold his wheat to the wheat board he was to receive an initial payment, which was later set at 87½ cents, and a participation certificate.

In 1936, this government having come to power, an order in council was passed on August 28 which prohibited the farmer from delivering his wheat to the wheat board if the price at Fort William was above 90 cents

a bushel. So in that year even if they wished to deliver their wheat to the wheat board, farmers were not permitted to do so while the price was above that figure.

In 1937 the same situation obtained. In 1938, on a falling market, the wheat board was again brought into operation. An initial payment of 80 cents, basis Fort William, was paid and participation certificates issued.

Last year, 1939, the government introduced what it called a new marketing policy, which gave to the wheat producer three alternative courses. He could (1) sell his wheat in the open market; (2) sell his wheat through a cooperative pool or association and receive an advance payment of 60 cents, baisis Fort William, with a government guarantee behind it, or (3) sell his wheat to the wheat board and receive an initial guaranteed payment of 60 cents, and a participation certificate. Under pressure from all parts of western Canada that initial payment was later raised to 70 cents a bushel, and to offset the concession a limit of 5,000 bushels was imposed; in this way the farmer was not allowed to deliver over 5,000 bushels to the wheat board.

Now we come to 1940. With the outbreak of the war members of this group and of other opposition groups asked the government to close the Winnipeg grain exchange, pointing out that Great Britain and France were purchasing their wheat through one agent, and that Australia had nationalized its wheat and flour industry. This government refused to take such a step, and have allowed the question of a wheat marketing policy to drift month after month, until at last, a few weeks ago, when the wheat market was in a state of imminent collapse, they were finally compelled to step in and peg the price at seventy and a fraction cents, basis Fort William. Again the members of opposition groups asked the government to close the speculative market and take delivery of wheat through the wheat board.

At that time the Minister of Trade and Commerce (Mr. MacKinnon) promised that a statement would be made, and said that the whole matter was under consideration. Then, a few weeks ago, without the house being taken into the confidence of the government, the public were informed through the press that the Winnipeg grain exchange was to continue until the end of the crop year, July 31. We have been waiting since May 16 for an announcement of policy. The minister has made another statement to-night. Still we have no intimation from the government as to what the wheat marketing policy of the government is to be for this crop year or for the years of the war. My object, therefore, in rising to support the contention of the hon. member for Qu'Appelle is to ask the government that during this budget debate the ministers responsible shall make a statement to this house and to the country outlining clearly what their policy is not only with reference to the marketing of wheat but with reference to the marketing of all agricultural products.

[Mr. T. C. Douglas.]

On behalf of this group I want to make four requests of the government. First, I want to ask when they propose to set up the advisory committee to the wheat board. The wheat board act provides for that committee. It never should have been fired. In the first place it was abolished by this government because Mr. J. R. Murray, who was chairman of the wheat board, would not work with it. This government had to choose between Mr. Murray and producer representation on the wheat board, and they chose Mr. Murray. As a result the producers have had no representation since 1936; they have had no voice at all in the forming of a marketing policy for wheat. Now we ask the government to appoint that committee. During the election they promised to do so. The newspapers quoted both the Minister of Agriculture and the Minister of Trade and Commerce as saying that such a committee would be appointed. That committee should be appointed while this house is sitting, so that hon. members may know its personnel. The members of that committee should be appointed a sufficient time before the marketing of the 1940 crop to enable them to consult with each other and with the wheat board. How can they advise the wheat board unless they are appointed a sufficient time prior to the marketing of the 1940 crop to help formulate a policy?

We should know who will constitute that committee. It is understood that the committee will have producer representation. Does this mean that the organized wheat producers of western Canada are to have a voice in selecting that committee? Are the pools and the farm organizations to be consulted? Producer representation is a farce and a sham unless the organized producers of the west have some voice in selecting the men who are to speak for them on that advisory committee. The government owe it to themselves, to this house and to the farmers of western Canada to name that committee without further delay.

Second, I want to ask the government to tell us during this debate when they propose to bring down legislation to provide for an interim payment on the 1939 wheat crop. There has been some argument in this house with regard to statements made by the

Minister of Agriculture. I am not going to continue that argument. There were newspaper reports to the effect that the minister had made a definite promise that an interim payment would be made.

Mr. GARDINER: No, there were no such reports.

Mr. DOUGLAS (Weyburn): I said there were newspaper reports to that effect.

Mr. GARDINER: The newspaper reports said I promised that I would recommend it.

Mr. DOUGLAS (Weyburn): Oh, no. I do not want to get into an argument, but the statement was in the press.

Mr. GARDINER: Read it carefully and you will see.

Mr. DOUGLAS (Weyburn): This is from the *Star-Phoenix* of Thursday, March 21, reporting the minister's address at Wilkie:

> Definite promise of amending legislation to provide for a 10 or 12 cent interim payment on the current year's wheat crop was made here Wednesday afternoon by Hon. J. G. Gardiner. The Minister of Agriculture declared that if the King administration was returned to power the present bill would be changed so that a payment might be made as soon as possible.

Mr. GARDINER: What is that from?

Mr. DOUGLAS (Weyburn): That is from the *Star-Phoenix*. I will send it over to the minister. But I did not rise to quarrel over what the minister said or did not say. I want to refer to what the minister said the other night in this house. He said he did not make the remark quoted in the newspaper, and I accept his word. He stated that he said he would recommend to the government an amendment to the act which would permit the making of an interim payment if conditions warranted it.

Mr. GARDINER: That is what I did say.

Mr. DOUGLAS (Weyburn): Very well. Has the minister made that recommendation?

Mr. GARDINER: Yes.

Mr. DOUGLAS (Weyburn): If the minister has made that recommendation, when may we expect the amendment?

Mr. GARDINER: I cannot answer that.

Mr. DOUGLAS (Weyburn): If we are not going to get the amendment, it must mean that the government has not accepted the minister's recommendation; and I say to him that as a responsible minister of the crown, in fairness to the people of Saskatchewan he ought to resign from this government in protest.

Mr. GARDINER: The whole of the time has not elapsed as yet, you know.

Mr. DOUGLAS (Weyburn): As the act stands at present no interim payment can be made, since the act provides that all the wheat must be sold and all the money received before a further payment can be made. I hope the government will bring down legislation to permit the making of an interim payment because, as most western members know, many farmers, on account of financial stringency, were not able to put in as large a crop this spring as they have in other years. Every day I receive letters from farmers whose financial position is such that they cannot do their usual summer-fallowing. They have not supplies; they have not repairs to their machinery. If this payment could be made at this time it would help these people do the summer-fallowing they will be unable to do otherwise, and will permit them to keep their land in the shape in which they usually keep it. Therefore I ask the government to make some statement, to tell these people whether they are or are not going to get this payment, rather than keep them in a continual state of suspense.

Third, I want to ask this government what their policy is with reference to the marketing of the 1940 crop. We are only forty days away from cutting in western Canada. The farmers want to know what facilities there will be for the marketing of their crop and what price they will receive for it. Are we going to continue the old three-way method of marketing? Is the 70 cent initial guaranteed price to be what the farmer will receive if he delivers his wheat to the wheat board? Surely the government ought to tell the farmers now, and not continue to say, day after day, that the matter is still under consideration. We have had no hesitation at all in saying where we stand. We have asked that the Winnipeg grain exchange be closed, because we believe that in these times selling through the open market is not the best way to handle the marketing of agricultural products. The speculative market represents the world market, and at the present time the world market is not in a normal condition.

As someone has already said, Great Britain and until a short time ago France had one buying agency in this country. There is nothing to prevent the wheat board representing the government and the farmers of western Canada from dealing directly with that agency. We maintain that selling through these pools and associations set up under the cooperative wheat marketing legislation is no longer practicable or feasible. These pools and associations handled something less than one per cent of the crop last year, and it

means only that the farmers enter into competition with one another, to depress their own price.

We therefore ask that this year the Canadian wheat board should take delivery of all the wheat marketed this fall and that it should take delivery of that wheat at a price which shall be commensurate with the cost of production.

I have before me figures prepared by the Dominion Bureau of Statistics which help to show what the return has been to the farmer in western Canada for his wheat. These are the average prices received at point of production, per bushel:

	Average price received per bushel
1908 to 1913, inclusive	.71
1914 to 1918 (war years), inclusive	1.37
1919 to 1929, inclusive	1.06
1908 to 1930, inclusive	.90¾
1908 to 1938, inclusive (but eliminating war years)	.84
1908 to 1938, inclusive (but eliminating depression years)	1.06
1908 to 1939, inclusive (but eliminating both war years and depression years)	.98
1930 to 1938, inclusive (depression years)	.56
1938-39 cereal year	.59

The figure for the last crop year, 1939-40, shows that the farmer got 49 cents a bushel at point of production. These figures indicate that the 30-year average wheat price is 90¾ cents a bushel. With costs on the upper trend, the western farmer is facing sure financial loss with the price of his crop at 49 cents a bushel at the farm, as it was last year.

I cannot impress upon the house too forcibly that this is the condition of the western farmer. Almost everything he has to buy has gone up or is going up in price, and the 10 per cent foreign exchange tax imposed by the budget is bound to affect certain kinds of farm implements. He is already paying more for his farm implements than he was paying a few years ago, and by virtue of the 10 per cent tax he is now going to have to pay more. With his costs steadily going up and his income steadily declining, it is absolutely impossible for the wheat producer to carry on unless the government is prepared to fix a price for his wheat which would bear some direct relation to the cost of production. We ask the government at this session without further delay to bring down an amendment to the Canadian Wheat Board Act which will provide for the farmer a reasonable price for the 1940 wheat crop.

[Mr. T. C. Douglas.]

I now come to the fourth and last recommendation, and it is this, that during this session the government should announce its policy with respect to the marketing of products other than wheat. Agriculture cannot continue in war time, any more than in peace time, on an unplanned basis. Whether the government likes it or not, it is going to be forced into the marketing of farm products; in fact, it has been forced already. It has already been compelled to take steps with reference to the marketing of bacon. It has already been compelled to come to the assistance of the apple growers.

Mr. GARDINER: Not compelled; we chose to do it.

Mr. DOUGLAS (Weyburn): Compelled by circumstances.

Mr. GARDINER: But we chose to do it.

Mr. DOUGLAS (Weyburn): Compelled to do it, because it helped the people who were growing the apples. Are we going to wait until other industries are bankrupt, or is the government now prepared to outline a broad marketing policy to take care of the handling of agricultural products for the duration of the war.

With that in mind we ask two things: First, that the inoperative clause in the Canadian Wheat Board Act be made operative, or that it shall be invoked so as to permit the wheat board to take delivery of coarse grains.

Second, we ask that with all possible dispatch the government set up boards for the marketing of other agricultural products, and that it pay to the producers parity prices for those products. When I say "parity" prices, I do not mean parity prices to the shipper or to the exporter or to the packing house; I mean parity prices to the man on the farm who produces the goods. That is the only place where a parity price can be of any use.

Someone says: "But that sort of thing will take money, and world markets are dwindling." That is true. It may be necessary, as the hon. member for Qu'Appelle has suggested, that we shall have to store wheat in this country, and that we may have to make it economically worth while for the farmer to store wheat on his own farm. We may have to build facilities to store wheat in Canada. I would remind hon. members that already outstanding economists are telling us that long before this war is over, parts of the world will be facing starvation. If, when the war is over, we have to choose between having piles of gold stored up, as they have been in the great republic to the south of us, and having great quantities of wheat stored up, I

do not think there is any doubt of our decision as to which would be the more useful or the greater economic asset. The day may not be far distant when the gold held by that great republic to the south will be a drug on the market. But any country which faces as we do in the years to come a great period of economic dislocation, and which has huge quantities of a commodity as imperishable as wheat, has a great asset indeed. With its nationalized central bank, Canada can well afford to take delivery of that wheat, to issue currency and credit against it, and to give to our people a reasonable price for the product they are growing.

Before I take my seat I cannot do better than quote a short statement which has been put out by the Alberta wheat pool in a little booklet entitled "The Story of Wheat." At page 40 the whole situation is summed up in a manner much better than I could do it. These are the words:

There is an increasing conviction among farmers and farm leaders that Canadian farm policies are antiquated and that a new governmental outlook is necessary to solve the problem of agriculture. That problem lies in the fact that, while more than three million of the population live on farms, agriculture receives less than 10 per cent of the national income, and its share has rapidly declined during the past ten years. The major problems of the Canadian economy as they revealed themselves in the past decade must be approached through a restoration of agricultural income and a marked expansion in terms of the national income.

Besides the three million Canadians living on farms there are another two million living in rural areas, whose livelihood depends almost directly on agriculture. Thus, when agriculture's existence is imperiled by low prices, five million Canadians suffer jointly. When that number of people lack sufficient buying power to purchase manufactured goods produced in towns and cities, is it any wonder that unemployment has been rife in industrial areas, the normal interchange of goods between town and country becomes impossible and the farm price level breaks down?

Canada's first duty is to find a means of securing a "living wage" to those engaged in the natural industries, of which farming is the foremost, to cultivate and safeguard their buying power in order that they may become a great and growing market for the production of the secondary industries of the nation.

Farmers do not want the wages and living standards of the people in the cities to be cut down. They prefer to see urban populations with plenty of money to spend. But farmers do want their own living standards raised, and that can only be brought about by the maintenance of prices of farm products. A way must be found to raise farm prices to equitable levels balanced against the fixed charges of labour, of services and of industry.

The farmer has learned to produce abundantly. One hundred years ago it took the efforts of 90 per cent of the population, busily employed on farms, to feed and clothe the nation. To-day 25 per cent of that population can easily do the job. The farming population will never be satisfied to have its productivity used as a club to beat down prices to penurious levels. Ways and means must be found to protect the price level of farm products if the nation is to escape persistent depression periods.

Mr. ROBERT FAIR (Battle River): Mr. Speaker, I am glad to have an opportunity at last to say something about wheat. Like most of the farmers in the west I do not feel quite happy if I cannot say something about that crop. On several occasions since we came here on May 16 I have asked the Minister of Trade and Commerce (Mr. MacKinnon) what the government intended to do about an interim payment on the 1939 wheat crop. When I first made this inquiry I gave as my reason for doing so a statement which had been made by the Minister of Agriculture (Mr. Gardiner) when speaking at Wilkie on March 21. That was just five days prior to the dominion election. In order that there may be no mistake about this, I should like to quote the report which appeared in the Edmonton *Bulletin* of March 21, 1940. Under the heading, "Liberals will give interim crop advance," it states:

Wilkie, Sask., March 21—Hon. J. G. Gardiner, federal Minister of Agriculture, promised amending legislation to provide for a ten or twelve cent interim payment on the current year's wheat crop when he addressed a public meeting here yesterday.

Mr. GARDINER: Read the next sentence.

Mr. FAIR: It reads:

If the Liberal administration was returned to power March 26, dominion election day, present wheat legislation would be changed so that a payment might be made as soon as possible, he said.

It is amusing and confusing that the Minister of Agriculture made no attempt to correct that statement until after March 26.

Mr. GARDINER: That is absolutely incorrect. The Canadian Press rang me up the next morning to ask me if that statement was correct, and I said it was not.

Mr. FAIR: I was watching the papers quite closely because I expected something along this line to happen. I certainly was not disappointed. It is also amusing and confusing to find that this statement was used by several Liberal candidates in Alberta. That story was not contradicted until the election was over.

Mr. GARDINER: It was used by many Social Credit candidates.

Mr. FAIR: Public opinion has demanded that something be done by the government with regard to the wheat policy, so the government have finally caught up with

public opinion, just as they did in connection with doing something about our war effort. I am glad to see that this has happened. In order that I may not be accused, as have other hon. members in the past, of asking for something for the wheat growers of western Canada and not including the farmers in other parts of Canada, I want to say that I include the farmers of eastern and central Canada in what I have to say to-night. The farmers in all parts of Canada have been mistreated for the past number of years. They are the easy prey of those who are well organized. Those who are well organized have certainly taken full advantage of their position.

In days gone by we have had some hon. members, particularly the hon. member for Wellington North (Mr. Blair), and the hon. member for Wood Mountain (Mr. Donnelly), try to tell us something about farming. I would say to those gentlemen that a little learning is a dangerous thing, drink deep, or taste not the Pierian spring. It reminds me of something I read not many days ago, that old maids know more about raising children than do the mothers of the children. In other words, professional politicians know best how to run other people's businesses. I commend these sayings to these hon. gentlemen. I hope they do not worry too much about farmers' business until they learn just a little more about it. I am now referring to gentlemen farmers, those fellows who raise nothing but their hats. If they want to do something about the matter, let them get out on a farm and obtain actual experience, which they certainly have not to-day. I could refer to other hon. gentlemen, but I do not think it is worth while doing so and I have not the time. All this is just a sample of what has happened in this house, and I think it is about time people awoke to the truth and got down to business.

Ever since coming here in 1936, the group to which I belong has steadily advocated cost of production for the products of the farm. Again I say that this should apply not only to the west but to all of Canada. We know that the farmers of eastern and central Canada should have a living just as the farmers of the west. If Canada is to prosper, our farmers must first be prosperous. Without that, the prosperity of Canada cannot be permanent. As long as the farmer's purchasing power is depleted, he cannot buy. You can go into stores in the west and you will see signs over the cash registers saying, "please do not ask for credit." The people who are producing the wealth of Canada should not have to ask for credit. They should receive enough from their labour to guarantee them a decent standard of living, something which they do not have to-day.

As I say, we have advocated cost of production and a reasonable profit. That is not asking too much. I quoted figures on more than one occasion which indicated that when farmers get an average crop and a fair price, industry generally in Canada is booming. The railroads have more to do than they have when crops and prices are poor. On more than one occasion I gave figures to show that when the farmer was receiving an average price of around $1.30 to $1.40 a bushel for wheat, he bought no less than $82,000,000 worth of farm implements in eastern Canada. In 1932 and 1933, when prices were ruinously low, those purchases were restricted to just over $8,000,000, or ten per cent of what they had been in good times. Because of the conditions under which we have been labouring for a number of years, farmers' implements are almost worn out; and when I heard an hon. member speaking the other day of the government gathering up the junk of western Canada, I thought there would be a very great addition to that junk pile if only the farmers had a decent price for their wheat so that they could buy modern, up-to-date machinery.

For the past crop we have received in my locality up to the present 51 cents a bushel for No. 1 wheat. Those of us who were fortunate enough to harvest No. 1 wheat are getting that, but thousands of farmers out there were not so fortunate, and hon. members can gain some idea, from the price spreads quoted this evening by the hon. member for Qu'Appelle (Mr. Perley), what those other fellows received.

I am not asking that any particular price be paid, but I do contend that the government should figure out the cost of growing wheat—I think they are able to do that just as well as they can estimate the cost of an aeroplane or a battleship—and if they added as little as five per cent profit, although that profit limitation was removed in connection with industry last August by order in council, we farmers will have no complaint whatever. Indeed, I believe we would be well satisfied. We would not be found lacking in patriotism and going on a sit-down strike if we got that much, although the manufacturers of Canada did so.

Mr. HOMUTH: Now, let us be fair about that.

Mr. FAIR: I have been "fair" for over forty years. We shall not come within the class of which the Prime Minister (Mr. Mackenzie King) spoke on the 8th of Septem-

ber, 1939, when we were in the special war session. He had this to say:

I come to profiteering. I believe I have already stated in this house that I know of nothing in the world more contemptible than that any man should seek to profit from the sacrifices which others are making.

Let me observe here that we in the farming industry are making sacrifices and have done so for a number of years. Let this statement apply to those who are profiteering at the expense of the farmer. The Prime Minister continued:

And if the laws and other measures which this government may introduce and seek to enforce are not sufficiently strong to destroy anything in the nature of profiteering, I hope hon. members of this house will bring to our attention, in a way that will also bring it to the attention of this country, what we ought to do to achieve that all-important end. There are some things that are very difficult of accomplishment. Unfortunately human nature has its weak and its bad sides as well as its strong and good sides. Sometimes it is very difficult to cope effectively with the underworld and its methods. But let me say this: I care not who the individual may be, how respectable in his own eyes or in the eyes of others he may appear, or what position he may hold; if in this crisis he seeks to profiteer he belongs to the underworld and should be treated as one of those who menace all that is sacred in the human relations.

I am not deliberately singling out any particular company, but I am going to give just one example; this is taken from the Ottawa *Citizen* of May 16, 1940:

Net Profit of $9,820,114 for Int. Nickel.

The report of the International Nickel Company of Canada, Limited, and subsidiaries for the three months ended March 31, 1940, issued by Robert C. Stanley, chairman and president, shows a net profit of $9,820,114 after all charges, depreciation, taxes, etc., equivalent after preferred dividend requirements, to 64 cents a share on the 14,584,025 no par shares of common stock outstanding.

This compares with a net profit of $10,262,660 or 67 cents a common share in the preceding quarter, $9,547,300 or 62 cents in the three months ended March 31, 1939, and $10,113,764 or 66 cents in the first quarter of 1938.

I repeat that I am not singling out that company; I happened to have that clipping, and since I had a very short time to prepare my speech this evening, I am citing that as an instance of what is going on in Canada to-day. On the other hand I have given the house some indication of the difficulties which farmers are up against, and I would ask the Prime Minister to take into serious consideration those noble words which he spoke on September 8. Somebody says he forgot them. I hope this will bring them back to his attention.

In this house, for a number of days, in fact for a number of weeks, we have been following very closely the actions of the British government. While we copy their actions in some directions, may I suggest that in the interests of some of the underdogs in this country we should follow them in other lines. I read from the "Journal of the Parliaments of the Empire" for April, 1940, page 253, under the heading, "Doubling the country's production":

The Minister of Agriculture should have a clear objective and should attempt nothing less than doubling the food production of the country. Mr. Lloyd George enumerated six points that should be dealt with:

The farmer must know that if he doubled his production there was an assured market for his produce.

Prices paid must cover the cost of production, which they did not do now.

In connection with that, I might say that the last price I have seen which the British farmer gets for his wheat is $1.31 a bushel.

The state should subsidize all well-thought-out drainage schemes.

Active steps should be taken by the state to ensure an ample supply of lime and fertilizers.

Cheap capital should be available for all that was necessary to enable the cultivator to bring the soil to the highest pitch of fertility.

Adequate labour should be provided to carry out this programme.

I believe that this government should follow the steps of the British government along that line. They have followed it in other respects, particularly, I believe, in connection with Bill No. 43, section two of which reads as follows:

Subject to the provisions of section 3 hereof, the governor in council may do and authorize such acts and things, and make from time to time such orders and regulations, requiring persons to place themselves, their services and their property at the disposal of his majesty in the right of Canada, as may be deemed necessary or expedient for securing the public safety, the defence of Canada, the maintenance of public order, or the efficient prosecution of the war, or for maintaining supplies or services essential to the life of the community.

We supported that bill in part. We tried to have it changed so that the burden should be distributed more fairly, so that the principle of equality of sacrifice should be put into operation, but we were not able to accomplish that purpose. The bill has been passed, and we find that the farmer is the first upon whom these powers are being practised. As far as I can see, at the present time there is nothing to do but accept the price offered.

We are practically out of markets at the present time, and yet only a couple of days ago a budget was brought down imposing still further taxes on the farming population, if not directly at any rate indirectly. Speaking of the price of wheat, I said I was not referring

to any particular price, but I did suggest that the government take the time and trouble to find out the actual cost of production. This can be done. On other occasions we have brought forward arguments, and have proved them, to show that it costs considerably more to grow wheat than is paid at the present time. I can remember the Minister of Agriculture in a discussion at the last regular session, stating that wheat could be grown on certain farms at 30 to 40 cents a bushel. Mr. H. G. L. Strange says:

> I have averaged up the price of all the wheat produced for 62 years and I find it comes to $1.14 for No. 2 northern at Winnipeg.

That is the opinion of Mr. Strange, who is at the present time director of the research department of the Searle Grain company. Other figures go to prove the same thing. According to bulletin 159 of the central experimental farm at Ottawa the figure of 95 cents at the farm is given. We must also remember that the farmers of western Canada are paying by way of interest on debts between 25 and 35 cents a bushel for every bushel of wheat grown. Other industries are guaranteed profits, and I do not see any reason why, particularly at this time when wheat is going to be one of the things that will help to win the war, we should be asked to grow wheat at a loss. In the United States they are taking particular care of their farmers. I quote from the *Western Producer* of March 28, 1940:

> At Washington last Friday the United States senate passed the big $923,000,000 farm appropriation bill—$203,000,000 above the budget—estimates, in the face of a warning from Secretary of the Treasury Henry Morgenthau that it should not expect the increase to be paid from the treasury's cash balance.

We could enumerate several other subsidies paid by different countries, but I will not go into that. I will give the figures from the Searle index for June 19, 1940. This will give an indication of the purchasing power of the farmer to-day. The index price of the articles the farmer buys, 147 items, now stands at 134; 1913-14 equals 100, which means that these articles cost the farmers in the west at the present time 34 per cent more than they did in 1914 before the great war. The price of wheat, No. 1 northern, as of June 18, basis the open market price, is now 23 per cent lower than it was in 1913-14. This means, therefore, that a bushel of wheat in western Canada now has a purchasing power in relation to the articles farmers buy of 57 per cent in comparison with the purchasing power of 100 which it had before the war. And we are still compelled to pay our debts, to pay everyone his pound of flesh, and to feel happy about it. I wonder how it can be done.

[Mr. Fair.]

Some people have the idea that western Canada is getting the cream and other parts of Canada none of it. I may have another opportunity to go into this question to show that we are not getting more than other parts of Canada. An hon. member says that we are getting less, and I think we can prove that easily. We can also show that we are paying more. I heard the arguments put forward by the member for Qu'Appelle (Mr. Perley) and the member for Weyburn (Mr. Douglas), and being a little further west than they are, we are in just a little tougher position. We have more freight to pay on the wheat we ship, more freight on our machinery and on other commodities we purchase.

We have heard a good deal in this house from both sides about the desirability of preserving Canadian unity; we are told we must preserve Canadian unity at all costs. But before we can hope to preserve Canadian unity, we must not forget that we cannot do it if one section of the country is trampling another section under its feet. We must have unity on an equal footing.

I would urge the government to make full use of the wheat board act for the sale of wheat and other grains. I would ask them to guarantee farmers, as they have guaranteed industry, the cost of production with a reasonable profit. I would also ask that the representation of the producers be placed back upon the wheat board. It would look rather strange and amusing, and possibly expensive, to other industries, if we had a number of farmers set up as a board to sell the products of any industry in Canada or to sell the labour or other services of any other class in the community. But that is what is happening to us to-day. How many representatives of organized agriculture have we working on the wheat board or in conjunction with it to-day. I do not think we have one. Is that fair? There is an injustice there that should be remedied and remedied at an early date.

We find that the railways are collecting the same freight on our wheat to-day as when wheat was close to $3 a bushel, and the elevator companies are collecting the same charges. The Winnipeg grain exchange is collecting the same commissions. Speaking of commissions, when we had a wheat commission set up not long ago to investigate the marketing and production of wheat, we found we had one hon. gentleman on that body drawing just $200 a day, and in case he could not make a living at that, we found an additional $20 a day set out for living allowance. If deals of this kind were

straightened out and equalized and these amounts went where they properly belonged, you would have far better service in Canada.

On different occasions we have asked that the grain exchange at Winnipeg be closed, and again we might follow the example set in Britain. Right after the war started, the exchange was closed there. Why not here? Not many months ago I read in the press that the company headed by the present purchaser of wheat and cereals for the British and French governments had a profit of 19 per cent, and yet we are asked to sell our wheat at very little better than half the cost of production. I do not know whether I should go any further with that. But I have a little piece here which I think applies very aptly to our present Prime Minister. It says:

Man can circle the earth without touching the ground; men can kill other men twenty miles away; man can weigh the stars of heaven; man can drag oil from the bowels of the earth; man can compel an icy waterfall to cook his meals hundreds of miles from the stream; man can print a million newspapers in an hour; man can breed the seeds out of oranges; man can coax a hen to lay 365 eggs in a year; man can persuade dogs to smoke pipes and sea lions to play guitars. Man, in other words, is quite an ingenious and remarkable package of physical and mental machinery.

But, when this astonishing person is confronted with one problem, he retires defeated to his hut. Show him six men without money and six loaves of bread belonging to men who cannot use it but who want money for it, and ask him how the six hungry men can be put in possession of the six surplus loaves and watch him then. It is then that he (the prime minister) attends conferences and appoints committees and holds elections and makes speeches and cries out that a crisis is upon him. He does a score of useless things and then retires to his hut, leaving in the shivering twilight the tableau of the six hungry men and the six unapproachable loaves.

Mr. Speaker, I ask that the government do something really in the interests of the farmer, give him for once a square deal and be fair with us.

Mr. J. A. ROSS (Souris): Mr. Speaker, it has often been said that much of the leadership which we should normally be now receiving was sacrificed or destroyed during the great war. In my opinion we citizens of Canada are most fortunate in having to-day as Minister of Finance a man of character and practical training such as we have in the present incumbent of that office, the hon. member for Prince (Mr. Ralston). I was indeed pleased to hear him state in his budget address that he would not strain the word "sacrifice" by applying it other than to those who offer their lives in this great conflict. That was a very fine statement.

In rising to offer a few observations on this question I do so as a representative of an agricultural constituency in western Canada, and while fully realizing that our first and foremost concern at this time is the winning of this war, my remarks at this moment will pertain to matters of an agricultural nature. The people of my constituency have been through difficult times during the past ten years, due to both climatic and economic conditions. They are not quitters, but in every sense of the word are optimists. They are out there to-day as other western agriculturists, with their backs to the wall, but putting up a magnificent fight. They expect justice and fair play from the government. Accorded these, the western farmer can be depended upon to make his full contribution both to the winning of the war, and following that, to the upbuilding and development of this great dominion.

A great deal was said last fall about the agreement entered into between the governments of Canada and Great Britain with regard to the importation of Canadian pork products by Great Britain and the price to be paid. Farmers of this country were encouraged to go into pork production in a big way, and thus use much of their grain as feed. Under date of May 23, 1940, the house was informed that as far as the Department of Agriculture is concerned, complete bacon agreement information between the British government and the government of Canada is not available for publication. The fact is that notwithstanding the great surplus of bacon in this country, during the first four months of 1940, there were 27,186,900 pounds of pork imported into Canada from the United States. During 1939 a total of 264,366,943 pounds of vegetable oil was imported into Canada from foreign countries, replacing dairy products, lard, tallow and animal fats, and this vegetable oil was imported duty free. According to an order for return delivered June 21, 1940, United States bacon has been used entirely for the military camps throughout Canada since January 1, and vegetable oil shortening has been furnished to the Canadian army one hundred per cent in place of lard and animal fats, under requisitions of the Department of National Defence. Surely there should be greater cooperation in such matters. This situation is most discouraging to the hog producers of Canada at a time such as this.

I should like now to discuss wheat. I would compliment the hon. member for Qu'Appelle (Mr. Perley) for bringing up this matter this afternoon as a matter of urgent importance. As was stated by the hon. member for Weyburn (Mr. Douglas) this evening, wheat is a most important product to

the residents of western Canada, even at this time when its value in dollars and cents is so low. To me it is astounding that we should receive the report from the Winnipeg grain exchange stating that it was under request of this government that the action referred to was taken, and that it should be done in that manner rather than that we as members of the House of Commons should first be informed of this action by the Minister of Trade and Commerce (Mr. MacKinnon) or by the Prime Minister (Mr. Mackenzie King). It seems to me that as members of parliament we have a responsibility, and that information might at least have been given to us, if not discussed with us, instead of being broadcast across this country as was done yesterday.

In discussing wheat we must remember that by far the greatest part of mankind is still engaged in agriculture; further that the income from wheat farming is the greatest single contributor to world agricultural income, and finally that the price of wheat exerts a stronger influence on agricultural prices in general than any other individual agricultural price. We have at present a huge surplus of unsold wheat in Canada. On the 25th of this month it was 279 million bushels. At this date a year ago it was only 106 million bushels. It is a vast carryover that we have in prospect at the end of the coming crop year. At this time I think we should certainly have a statement from the government as to the handling of the 1939 wheat crop and also the policy in regard to the bountiful harvest now in sight for 1940.

In my opinion agriculture is suffering more at this time from what might be termed a lopsided development in this country than anything else. The Sirois commission report stated that from 1896 to 1913 under a vigorous immigration policy by the government of the day, assisted by land companies and railway companies, a tremendous expansion took place on the territories of Canada. Settlement took place without discrimination. The territory settled grew from about ten million acres to some seventy million acres in that period. The production of wheat was increased from approximately 20 million bushels to some 210 million bushels during that period, and of course since that time it has been almost doubled again. Hon. members may recollect that at that time no encouragement was given to industrialists and tradesmen to come to this country and develop industry to any great extent. I need not point out that we probably have greater natural resources undeveloped in this dominion than any other nation in the world. We have great facilities for the development of industries. If in this country there had been a balanced programme of immigration and development, probably we would not now be facing this problem of how to dispose of our wheat. I should like to refer to an article which appeared in the *Labour Gazette* of December, 1937, which points out that the family of the average industrial employee consumes agricultural products to the extent of $409.35 annually. These products are listed as follows:

	Per year
Animal products	
Beef, different grades	$40 25
Veal	7 75
Mutton	12 02
Pork, leg and salt	33 02
Bacon (breakfast)	16 43
Pure lard	17 58
Poultry and dairy products	
Eggs, fresh and storage	41 65
Butter, dairy and creamery	49 55
Cheese, old and new	24 13
Milk	34 32
Prairie products	
Bread	57 04
Flour (family)	23 40
Rolled oats	15 34
"Truck" products	
Beans	6 14
Apples, evaporated	8 27
Potatoes	16 48
Prunes	5 98

I think in this country we should have good reason to expect a population of fifty or sixty million. If we had an additional ten million employees in industry, on the basis of this article their consumption of agricultural products at prevailing prices would amount to over four billion dollars annually, which would more than take care of the agricultural problem we are facing to-day.

Farmers are suffering as a result of events over which they have had no control. Farming is a business of many hazards. During the past twenty years wheat prices on this continent have varied from $3.18 to 33 cents a bushel. Rainfall has varied from practically nothing in some districts to forty inches in other districts during one season. Insect pests have taken a toll amounting to millions of dollars. I often wonder whether Canada as a whole realizes the debt it owes to agriculture, especially during these last few years of depression. Farm production goes on year after year, with little regard to whether or not that production represents a profitable enterprise for the farmer.

Agriculture differs from industry. In 1932, when Canada was in the midst of the worst economic storm of its history, the farms of western Canada produced a wheat crop of 423 million bushels. The production of that large crop at that time and its subsequent handling by our railway systems, its financing from the time it left the farms until it was sold for export, and the economic activity which it generated, constituted a major

factor in Canadian business at a time when the country as a whole was in the most critical situation of its history. I believe the contribution of agriculture during those years in maintaining and in many instances increasing its production, was an important factor in preserving our national solvency during that period. It is true that the farmer received little or nothing for his efforts, but he kept this great basic industry functioning at a time when other industries in Canada were faltering.

In his budget speech the Minister of Finance stated that the loss arising from the dominion guarantee of a price of 80 cents a bushel, basis No. 1 northern at Fort William, for the 1938 crop, had amounted to $52,000,000. He also stated that the net cash deficit of the Canadian National Railways for 1938 amounted to $54,314,000, and in addition the railways received certain subventions from the government. I should like to suggest that there are some 290,000 farmers on the prairies dependent for their livelihood upon agriculture, while 133,500 employees are dependent upon the functioning of our railways for their livelihood. In addition, I should like to remind hon. members that in 1913 the average salary received by railway employees was $648, but in 1937 that average was $1,375, whereas to-day the farmer receives considerably less for his work than he received in 1913. To-night figures were quoted, taking 1926 as the base year, and to-day that index stands at only 30 per cent for the farmer income.

As reported at page 2623 of *Hansard* for 1939 the Minister of Agriculture (Mr. Gardiner) stated that wheat could be produced at a cost of from 30 to 40 cents a bushel. I do not know how in the world those figures could be arrived at by any practical farmer. Moreover, those figures were based on an average of 20 bushels to the acre, which was most unfair. The average wheat yield for all Canada during the last twelve years has been 12·9 bushels an acre. I should like to quote from a cross-section test on the prairies, conducted by Doctor Hopkins of the federal Department of Agriculture in 1932, with regard to the cost of producing wheat. This information was obtained from certain farmers who had kept records, together with the records of the experimental farms, based on an average yield of 18 bushels to the acre:

Quarter section	Per bushel
1 man and 5 horses, threshing hired	$1.02
Half section	
1 man and 7 horses	0.795
1 man, 15 horse power tractor and 2 horses	0.85
One section	
2 men and 14 horses	0.774
1 man, 15 horse power tractor and 2 horses	0.712
2 men, 6 horses, 15 horse power tractor and thresher	0.778
1 man, 15 horse power tractor, combine and truck	0.636
Two sections	
4 men, 28 horses, combine	0.642
1 man, 20 horse power tractor, combine and truck	0.554
Three sections	
2 men, 20 horse power tractor, combine and truck, land ploughed	0.542
2 men, 20 horse power tractor, combine and truck, land one wayed	0.511

As I said, that survey was conducted in 1932, when the cost of production was considerably less than it is to-day; and, of course, it was based on 18 bushels to the acre. Various other tests have been conducted throughout the country. I should like to refer to the work of Professor Hope, who is in charge of the department of farm management of the university of Saskatchewan. He points out that the average cost, plus interest on debt, throughout the province of Saskatchewan in recent years has been 91 cents a bushel, on the basis of an average yield of 14 bushels to the acre, which is still considerably higher than the average yield throughout Canada. If one takes into account to-day the higher cost of living brought about by the budget, it will advance those figures to considerably more than a dollar a bushel.

Professor Hope stated, as did Doctor Hopkins, in his survey, that the most economic unit to operate on the prairie provinces was a two-section power farm with tractor combine and truck, and that that is the most efficient wheat-producing unit it is possible to set up at this time. But less than one per cent of the farms in the west are as efficiently operated as that unit. I cannot recollect the exact figures, but I know the average farm operated in the west is in the neighbourhood of a half section. As a matter of fact, I think it is a little less than a half section. That is the basis upon which we have to consider the cost of production, so far as the average farmer of western Canada is concerned.

I have before me an article by J. E. Lattimer, professor of agricultural economics at Macdonald college. It deals with crops and wars. He has in this article a chart on which he gives some detail as to the acreage of improved farm land per farm worker in principal countries to date. These are the figures as of October, 1939:

Country	Acres
Canada	76·9
United States	50
Great Britain	30·3
Ireland	17
Denmark	14·7
Norway	14·7
Spain	12
Sweden	11·6
Switzerland	11·2
France	10
Poland	5·7
Italy	5·2
Bulgaria	4·2

Then he goes on to point out the values of land in 1914, and in various periods up to the present. Land in 1914 was $38 an acre, on the average, while in 1938 it was $24, which is quite a reduction. On the other hand, farm wages, including value for board, during 1914 stood at $323, while in 1938 it was $405, and at the present time it is increasing at quite a rate.

Then, I have before me an article respecting distribution costs. It is issued by the 20th Century Fund's committee on distribution, and points out that approximately 59 cents of the consumer's dollar goes for the services of distribution, and only 41 cents for the services of production. There is much more detail in this connection, but I shall not weary the house with it at this time.

Mention was made this evening of Major Strange, who has done a good deal of research work for the Searle Grain company of Winnipeg. He has gone back over many centuries in his research work, and is conversant with other matters pertaining to agriculture. During October of last year that grain company, as a result of his findings, suggested that the allied governments at that time should enter into agreement with Great Britain direct, whereby they would pay $1.15 for Canadian wheat, basis No. 1 northern, Fort William. He gave various reasons why that should be done, and stated that while neither France nor Great Britain could possibly decide at that time the amount of wheat they would purchase in Canada, they could easily decide now to pay farmers a reasonable price, which price would appear to be around $1.15 a bushel for No. 1 northern in store, Fort William. He goes on to say:

> Because Great Britain will be drawing heavily upon the United States for many raw materials, and because there is a limit to the gold, foreign exchange and American dollars available to Great Britain, she will tend to reduce purchases of wheat from the United States and so will tend, no doubt, to purchase wheat from Canada.
>
> The review says it can be assumed that the allies will be glad to treat wheat on the same basis as any other munition of war, which means they will be glad to pay a proper, decent and reasonable price for it, so that it can be produced in proper volume for the duration of the war.

Then he mentions the cost of living, and states:

> Continuing, the review says in part: "In 1913-14, which was in peace-time, wheat was 87½ cents a bushel for No. 1 northern in store Fort William, and was considered by many to be a fair price, and by all certainly not an excessive price. The Searle index reveals that since 1913-14 the cost of all the things that farmers have to buy had increased by 31 per cent by September 1 last. (It has risen sharply since then, and will continue to rise further no doubt as the war proceeds).
>
> Adding 31 per cent to the pre-war price which farmers received at their local elevators, simple calculation shows that an equivalent price to-day would be $1.15 for No. 1 northern in store Fort William for western farmers to be as well off as they were in 1913-14.
>
> That this is a reasonable price is confirmed by the fact that the British government to-day pays for British wheat—of lower quality than Canadian wheat—the equivalent at par of approximately $1.30 a bushel. One dollar and thirty cents a bushel in Great Britain means about $1.13 at Fort William."

Then, I have here another small chart taken from the *Commercial Intelligence Journal* issued by the Department of Trade and Commerce. It is dated December, 1938, and points out the prices paid for wheat and for a loaf of bread in various countries. Probably we should not refer to Germany to-day, but it happens to be the first country on the list. The prices are as follows:

	Price of wheat per bushel	Price of bread per pound cents
Germany	$2.28	6½
Italy	2.11	7·8
France	1.64	3·8
Norway	1.62	4·8
Belgium	1.17	3·1
United Kingdom	.65	4
Canada	.60	7

It will be noted that the price of bread in Canada—and this was in the city of Winnipeg—was 7 cents a pound.

Based on the findings of Doctor Hopkins of the federal Department of Agriculture; of Professor Hope, of the department of farm management, Saskatoon university; of Major Strange, of the research department of the Searle Grain company; of Professor J. E. Lattimer, professor of agricultural economics at Macdonald college, and of several practical farmers who have kept detailed records on their own farms for the past twenty years, and also in view of the discussion on the budget at this time, I maintain that the wheat crop for the coming year should be handled through the wheat board on a parity price,

along with other products for the prosecution of this war, and at a price of $1.25 for the producer, basis No. 1 northern Fort William.

Some reference was made by hon. members who spoke this evening, the hon. member for Qu'Appelle (Mr. Perley) and the hon. member for Weyburn (Mr. Douglas), to the fact that we may yet reach the point where currency might be issued against wheat in storage. I believe that might well be done. It was also pointed out that in future years our storage wheat might be of greater value to us than would be the tremendous amount of gold stored in the vaults of the nation to the south of us. I think that is quite possible.

Turning again to the budget as it was presented, may I observe that I was rather disappointed to find that a liquor tax was not mentioned. It was stated this afternoon by the hon. member for Danforth (Mr. Harris) that ten million quarts of liquor are consumed annually in Canada, and I believe a reasonable tax on that consumption would bring in many millions of dollars to the treasury, and at a time when it is badly needed. To-day certainly liquor is nothing but a luxury. We should also have a small additional tax on gasoline, much of which is used for purposes of luxury. This would bring in considerably more revenue. I think all luxuries should be heavily taxed. Otherwise the budget seems to be quite fair. It probably will bear a little heavily on the small salaried people of this country.

Under the mobilization bill which was passed the other day the government take upon themselves greater dictatorial powers under order in council than have ever been granted to any party government in the world. Notwithstanding that fact, I think the members of this parliament should be taken into their confidence whenever possible. Personally I should like to see parliament assembled at least every ninety days during the conduct of this war. The people of Canada expect at least that from their representatives. It would have a steadying effect upon the people, which I think it is our duty to try to create in a time like this when they are apt to become jittery. With this great power which has been given to the government of the day, I hope they will try to take the elected members of all groups in this house into their confidence as far as possible. We should not go too long without being assembled to look after, not only the conduct and the winning of this war, but the welfare of the people generally.

On motion of Mr. Reid the debate was adjourned.

On motion of Mr. Crerar the house adjourned at 10.55 p.m.

Friday, June 28, 1940

The house met at three o'clock.

CANADIAN NATIONAL RAILWAYS

REFERENCE OF BUDGET, ANNUAL REPORTS AND CERTAIN ESTIMATES TO RAILWAYS AND SHIPPING COMMITTEE

Hon. C. D. HOWE (Minister of Transport): I desire to lay on the table the budget of Canadian National Railways and Canadian National Steamships for the year 1940, and to move:

That the annual budget of Canadian National Railways and Canadian National Steamships, tabled herewith, and the annual reports laid on the table of the house on May 17, 1940, be referred to the standing committee on railways and shipping, together with the following items in the estimates:

445, Maritime Freight Rates Act; *446*, Maritime Freight Rates Act; *458*, Canadian National (West Indies) Steamships Limited, capital advances; *459*, Canadian National Railway Company; *460*, Prince Edward Island car ferry and terminals.

Motion agreed to.

EUROPEAN WAR

ANNOUNCEMENT OF LOSS OF H.M.C.S. FRASER ON ACTIVE SERVICE NEAR BORDEAUX, FRANCE

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, with respect to matters having to do with the Department of National Defence I should like to follow the practice of having my colleagues of that department make any announcements that have to be made in connection with that branch of the public service. However, there is one announcement which I feel will touch so deeply the hearts of the public of Canada that on this occasion I might, I think, depart from that rule and myself make the statement which it is necessary to make in the house.

I am greatly distressed to have to announce that, while engaged in the pursuance of hazardous duties off the mouth of the Gironde river near Bordeaux, France, His Majesty's Canadian ship *Fraser* was lost in a collision. One hundred and fifteen of the gallant crew have been rescued. I regret to have to say that forty-five are either dead or missing. The next of kin have already been informed.

His Majesty's Canadian ship *Fraser* has been on active service since the commencement of the war. At a few hours' notice she speeded, in company with another vessel of His Majesty's Canadian navy, from Vancouver to the Nova Scotian coast, via the Panama canal. Since then she has seen arduous

service both off the coasts of Nova Scotia and in the Caribbean. Recently she has been on duty in European waters with sister ships.

There are four destroyers of the *Fraser* type in the Royal Canadian navy. Formerly known as H.M.S. *Crescent,* she was launched on September 29, 1931, and was acquired by Canada in 1937. Her displacement was 1,355 tons, and she was built at the Vickers-Armstrong works, England.

The commanding officer of the *Fraser* was Commander Wallace B. Creery, R.C.N. I understand the commanding officer's life has been spared.

At the present time, for reasons of naval secrecy, nothing more can be divulged of the operations of His Majesty's Canadian units operating in overseas waters.

I have just this minute received the following communication from the admiralty in London:

> Please convey to officers and men of the Royal Canadian Navy their lordships' sympathies in loss of H.M.C.S. *Fraser.*
>
> Their lordships wish to take this opportunity to express their thanks to all ranks and ratings of the Royal Canadian Navy for splendid contribution they are making to the work of his majesty's fleet in common cause.

Mr. Speaker, I should like to add on behalf of all hon. members of this house an expression of sympathy equally deep with the officers and men of the royal Canadian navy in the loss of the ship *Fraser,* but even more to express the very deep sympathy of this House of Commons to the relatives of the gallant men who have been lost in their country's service in the manner that I have been obliged to describe.

Hon. R. B. HANSON (Leader of the Opposition): I am sure we all join with the Prime Minister (Mr. Mackenzie King) in the expression of sympathy with the next of kin and loved ones of those who have been lost in this sad event. It is the sort of thing that Canada and Canadians may expect to happen at this time. May it be a challenge to every one of us to support our people at the front, our gallant lads in the navy, in the air and in the army. I am sure that their example and devotion and the sacrifice they make for Canada and the empire will not be forgotten.

Mr. M. J. COLDWELL (Rosetown-Biggar): I just wish to say very briefly that with the sentiments expressed by the Prime Minister and the Leader of the Opposition the group with which I am associated are in hearty accord. We too extend our deepest sympathy to those who are bereaved.

Mr. J. H. BLACKMORE (Lethbridge): It hardly needs to be said that our group is in most sincere accord with the sentiments which have already been expressed. It must be impressed upon us all that we are at the beginning of a long, long list which will have to be recorded of those about whom it will later be said, as it was said of the heroes of the past: "Their name liveth for evermore."

BRITISH CHILDREN

COST OF HOSPITALIZATION OF EVACUATED CHILDREN PLACED IN FREDERICTON HOMES TO BE BORNE BY CITY

Hon. R. B. HANSON (Leader of the Opposition): I should like to announce to this house that the loyal city of Fredericton, in which I have resided for forty years, which I have served as mayor, and whose citizens have been so good to me in days gone by, has announced through its mayor that it will bear the full expense of hospitalization of all evacuated children who may be placed in Fredericton homes.

I make the announcement in the hope that other cities and municipalities in Canada will follow this example.

Right Hon. W. L. MACKENZIE KING (Prime Minister): May I ask my hon. friend when he returns, as I understand he does at the end of the week, to his native city, to extend to the mayor of Fredericton, an expression of our appreciation of the action the city has taken; and also to say that by taking the action it has, the city of Fredericton has set an example which we feel sure will be followed throughout Canada.

PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 62 to incorporate Sisters Servants of Mary Immaculate.—Mr. Lapointe (Lotbiniere).

Bill No. 63 for the relief of Margaret Somerville Sickinger.—Mr. Hill.

Bill No. 64 for the relief of Romain Cléophas Moreau.—Mr. Macdonald (Brantford City).

Bill No. 65 for the relief of Dorothy Florence Donn Martin.—Mr. Graydon.

Bill No. 66 for the relief of Phoebe Doris Edge Pott.—Mr. Graydon.

Bill No. 67 for the relief of Filomena Grego Sauro.—Mr. Bercovitch.

RADIO BROADCASTING

NEWS SERVICES—QUESTION AS TO STATUS OF TRANS-RADIO PERMIT

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): I should like to direct a question

to the Minister of Transport, based upon a press report appearing in to-day's Ottawa *Citizen*. Is it true that the Canadian Broadcasting Corporation has lifted the ban on Trans-Radio news which was proposed to become effective from July 1? In view of his earlier statement made on June 6—page 557 of *Hansard*—will the minister give the house detailed information as to the proof or bona fides furnished by Trans-Radio news officials to the Canadian Broadcasting Corporation, particularly as to its ownership, and the authenticity of its reports dated from London?

I sent notice of this question to the minister earlier in the day and he has informed me that he has not the information at the moment. Of course it is quite satisfactory to me if he has to postpone his reply.

Hon. C. D. HOWE (Minister of Transport): Perhaps I can give my hon. friend the information he desires. The board of governors of the Canadian Broadcasting Corporation met in Ottawa yesterday. Attending the meeting were representatives of the Canadian Press and of the privately-owned broadcasting stations. A general policy was evolved which will mean that within a reasonably short time —the shortest possible time—sponsored news on the air will be a thing of the past. There are details to be worked out; I have asked a man in whom I think all hon. members of this house have a good deal of confidence, Mr. Walter Thompson, to look into all sides of the question on my behalf and to bring in a report, which I think will finalize the matter and evolve a policy more satisfactory to listeners in Canada. Whether in the meantime the present news services will be allowed to function I am not sure. I rather think they will, although I have no definite knowledge. It would perhaps be a mistake, for a matter of two or three weeks, to make any radical change in the existing situation. But I think I can say that within the next month there will be a new policy for news on the air, which I shall announce as soon as I can, and which I think will be recognized by all as an improvement on the present situation.

Mr. HANSON (York-Sunbury): Will the announcement be made in this house?

Mr. HOWE: Sometimes these announcements get out before they reach me, but I assure my hon. friend that as soon as I receive it I will make the announcement in the house.

Mr. HANSON (York-Sunbury): Any announcement of public policy on behalf of a government-owned institution should be made here first.

Mr. HOWE: I may be scooped by my news service.

NATIONAL DEFENCE

RATES PAYABLE BY ENLISTED MEN AND WOMEN TRAVELLING BY TRAIN

On the orders of the day:

Mr. G. K. FRASER (Peterborough West): I should like to ask the Acting Minister of National Defence (Mr. Power) if anything is being done to fix special and reasonable rates for enlisted men and women travelling by train. I ask this question because last week-end men travelling from Ottawa to Peterborough on regular vouchers had to pay $5.50. The regular coach fare is $6.90, but there was a special excursion rate of $4.60, and I know that some of the men paid $5.50 and found out about the lower rate later. In other words soldiers had to pay 90 cents more than civilians. I honestly believe something should be done—

Mr. SPEAKER: Order.

Hon. C. G. POWER (Acting Minister of National Defence): I shall be glad to make inquiries. I cannot answer the question offhand.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Thursday, June 27, consideration of the motion of Hon. J. L. Ralston (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

Mr. THOMAS REID (New Westminster): In my first words this afternoon I should like to join in the regret that all must feel following the announcement by the Prime Minister (Mr. Mackenzie King) of the loss of one of our Canadian destroyers, the *Fraser*. Those of us from British Columbia have taken perhaps more interest than other hon. members in this destroyer, because, if I am not mistaken, this destroyer was first welcomed to Canada at the port of New Westminster, and I believe most of the personnel come from British Columbia. We are inclined to be more conscious of the other branches of the service and to forget at times that great, silent service, the navy. Some of the boys returned at Christmas time on leave, and the stories they told of their work in the north Atlantic were very thrilling indeed. They spent many days at sea; some had their fingers and toes frozen; many times they encountered a temperature of 40 degrees below zero, with a howling gale. So I cannot but grieve this afternoon at the loss of this destroyer.

With other members on the government side I have refrained from making speeches

during this session because of the serious war situation in which we find ourselves. I would not make that statement, Mr. Speaker, but for the fact that an impression has been gained in many parts of the country that those of us who do not speak are not doing our duty here as members of parliament. Each of us has been extremely active since coming here, but realizing the war situation, we have refrained from making speeches which otherwise might have been made.

There are one or two matters, however, upon which I should like to dwell this afternoon, but in so doing will endeavour to be brief. In my first words I should like to congratulate the Minister of Finance (Mr. Ralston) upon his splendid presentation of the war budget. At the same time I want to extend to the minister every good wish in the new position he is to assume very shortly, because we all realize the onerous and heavy responsibilities which fall upon the man holding the important position of Minister of National Defence at this time.

It is not my intention to deal at any great length with the various ramifications of the budget. It was generally well received by the people of Canada; in fact, I think they expected it to go much further than it did, and I believe they were prepared to bear even greater burdens gladly. I should like to make one comment, however, in connection with any future borrowings. The minister pointed out that he expected a total expenditure this year of well over a billion dollars and that the estimated revenue would be something like $750,000,000, leaving an estimated deficit of between $550,000,000 and $600,000,000. At a time like this I do not believe the government should pay any greater interest on loans than the one and a half per cent which is paid by the banks of Canada. As a matter of fact, I believe that thousands of our citizens would gladly lend their money to the government at this time without interest, fully realizing and knowing that if we fail now, nothing else matters. I believe some explanation is due the house—and I hope it will be given before this debate is ended—with regard to the interest paid on some past loans. In May, 1939, we borrowed $95,000,000 at one and a half per cent. Later in the same year we borrowed $200,000,000 at two per cent. In February of this year we raised $250,000,000 at three and a quarter per cent, and I understand that the greater part of that loan was taken up by the financial institutions of the country. Then we have the war savings certificates, on which the rate is three per cent. I am going to urge upon the Minister of Finance, whoever he may be, and upon the government, that in any future borrowings during these trying times we pay no more than allowed by the banks, namely, one and a half per cent.

I am not going into the question of finance generally, although I might very well do so. Sometimes, however, when the leader of the Social Credit party (Mr. Blackmore) holds forth with regard to changes in our monetary system which will have to take place, I hear some hon. members laugh, while others call out "funny money." In my opinion the world is changing, and many of us will have to give up our old ideas. To those who laugh so loudly I would direct this question: How many members here could rise in their places and explain the present monetary system?

Mr. JOHNSTON (Bow River): There is the first good Liberal I have heard in this house.

Mr. REID: The other evening the leader of the opposition (Mr. Hanson) and some other hon. members were speaking of the increasing cost of government, and something was said about the bureaucracy which exists in Canada at the present time. I do not want to be misinterpreted, in what I am about to say, because I am all for the civil service merit system; but unconsciously we have built up a bureaucracy which has become almost, if not entirely, our master. Why, Mr. Speaker, I could name government departments here in Ottawa with which no minister can interfere. They have been left on their own too long. That is what ruined France; it is, I believe, injuring Great Britain very seriously, and unless we control this evil now I am afraid it may strangle us also.

I am afraid I do not quite agree with the Minister of Finance with regard to the tax on motor cars. Personally I should like to see them banned entirely for the duration of the war and our factories turned over to war work. Be that as it may, however, the minister pointed out that the graduated tax on motor cars was imposed not so much for the purpose of revenue as with the intention of keeping Canadian dollars in this country. I am glad the government is taking that view at last, because I am thinking of the farmers in Canada, particularly in British Columbia, who for many long years have been subjected to the importation of fruits and vegetables for which we are spending millions of dollars yearly, although we grow them in abundance in this country. We have potatoes, turnips, onions, tomatoes and like vegetables in abundance here; and yet, Mr. Speaker, last year we sent across the border to the United States over $4,500,000 for commodities which are

grown in abundance by our farmers, commodities for which they can scarcely find a market.

I am an advocate of free trade.

Mr. MacNICOL: I am surprised to hear that.

Mr. REID: But when I see the hold the industrialists have in Canada, and when I see the protection given to them, I believe that in fairness to the farmer the same kind of protection should be given to him. It should be either free trade for all or protection for all.

Mr. BROOKS: You voted for the United States agreement?

Mr. REID: Then, we send half a million Canadian dollars across the line to buy strawberries grown in the United States, and yet no better strawberries are grown anywhere on the north American continent than are grown in British Columbia.

Mr. SENN: Except in Ontario.

Mr. REID: In 1938, according to the Canada Year Book, we had an adverse balance of well over $13,000,000 in connection with agricultural products. I am reminding the Minister of Finance and the government that if from now on the policy is going to be one of preserving Canadian dollars, then I say, let us go the whole way and give the farmers the protection they need—protection which the industrialists already have. I say that because the farmers are, and for many years have been, placed in an invidious position, because they have to sell on a low priced market and buy in a highly protected market.

Mr. WARD: How can we protect the wheat grower?

Mr. REID: I will deal with that later. When I read in *Hansard* statistics prepared by economists with regard to price levels, incomes and salaries, and when I hear speeches made and statistics quoted by hon. members in an endeavour to make it appear that the farmers and those on relief are not doing too badly, I am reminded of an historic statement in the British House of Commons by Mr. Baldwin when he said to Mr. Snowden, "First there are lies; second, there are damned lies, and third, there are statistics." My statement may sound harsh, but I will say that one can take statistics and prove practically anything from them. But we cannot improve the lot of the workers or the farmers by any such citation of figures.

I was interested, and I have no doubt most hon. members were interested in the radio address delivered a short time ago by Mr. Bruce Hutchison, correspondent of the Vancouver *Sun*. In that radio address he pointed out the great change in respect of trade which has come over the north American continent, and made special reference to the new economic scheme suggested by President Roosevelt. To my mind Canada must find new markets, if she is to survive the blow of the loss of her European market. The markets in Europe are lost now, and perhaps will be lost for some time to come, if not for ever. I suggest to hon. members that conditions are changing so fast that we might well forget all past arguments in respect of tariffs. I am doubtful if we can do all that will be necessary to be done, and at the same time allow business to go on in its own usual way. All notions of money and of spending are going fast, if indeed they are not already gone. At this session we have budgeted for well over a billion dollars, and it was only a short time ago that in the short space of an hour and a half the United States government passed votes aggregating four billions of dollars.

Hon. members may be interested in some particulars respecting our trade. I shall not deal extensively with this point; but when one realizes that two countries, the United States and Great Britain, took over 78 per cent of all Canadian exports, that those same two countries furnished 79 per cent of all Canadian imports, and that our exports to the continent of Europe, exclusive of Russia, comprising 190,000,000 people, was just over $32,000,000, and our imports from the same sources were about $24,500,000, we are forced to wonder if we are treating Great Britain fairly. We have not in the past, but I trust that during the war we will improve that situation, so far as trade is concerned. While we sold goods to the value of $423,191,091 to the United States, our imports from that country were valued at $487,279,507. On the other hand, while we sold to Great Britain goods to the value of $409,411,682, our imports were valued at only $145,050,000.

I am sometimes surprised at the attitude of many of our industrialists. Even during the present war some of them have been complaining privately to me that Great Britain has been making engines which could very well be made in Canada. When I am approached like this, I ask them this question: If we sell Great Britain our wheat and many other products, how is she going to pay us for those goods if we do not buy from her? I have mentioned these facts particularly so that I might bring to the attention of hon. members the fact that Europe has been cut off, so far as the factor of markets is concerned, and that with the loss of those markets

we had better give serious consideration to the proposal of the President of the United States to set up an economic customs union consisting of the entire Americas.

I wish now to deal briefly with a local matter, namely, the serious situation affecting the fishermen of the Pacific coast. I suppose all hon. members from British Columbia have received telegrams and perhaps telephone calls from fishermen in British Columbia pointing out the serious conditions confronting them in connection with the matter of arriving at a price which will enable them to carry on. They have called attention particularly to the price of sockeye salmon offered by packers or canners.

So that the problem might better be understood, for the benefit of hon. members may I point out that there are five varieties of salmon, and that the highest priced variety is known as the sockeye or red salmon, the market for which is found principally in Great Britain. At the beginning of every fishing season fishermen and packers get together to arrive at prices. This year they have met, but have not arrived at an agreement because the cannerymen are this year offering a price almost 30 per cent less than has been offered in previous years. They are saying, "Well, we do not know what the market will be. Great Britain is not eager to take our sockeye salmon." The result is that they are offering the fishermen in some instances 13 cents to 14 cents less per fish than was offered in 1939. This is serious enough, but when one considers that the cost of nets and gear has gone up 30 per cent in some instances, he will understand the plight of the fishermen. At the moment these men are refusing to go out to the fishing grounds until this matter is settled. The British Columbia members have been negotiating with the Minister of Fisheries (Mr. Michaud) in an endeavour to have him take some action, but so far nothing has been done. Our argument to the minister is that precedents have been created, and something can and should be done.

We do not complain when the fishermen in the maritime provinces receive over half a million dollars. We are not against the government guaranteeing the price of apples or the price of pork. We are not adverse to the government guaranteeing the price of wheat to the farmers. But we ask for equal treatment. When the fishermen of British Columbia, numbering nearly 9,000 this year, ask that something be done, they are told that nothing can be done. We are informed that it is a matter for the cabinet to decide. This is the reason why I bring this matter to the attention of the house this afternoon. Time is short because the fishing season opens on June 30. Is the government going to stand by and see between eight and nine thousand families deprived of their living? All this is likely to cause more unrest on the coast.

This food will be required later, if not immediately, at least in the near future. We are being urged to produce more food. I contend that the government should take note of this dispute and at least offer a guaranteed price so that these men can carry on their fishing operations.

One word on the war situation. The response of the people of Canada to our war effort has been simply wonderful. We have a perfect example of the unity that exists between Great Britain and ourselves in the way in which Canadian homes have been offered to British children. Some time ago the leader of the opposition referred to immigration and pointed out the number of people who had come to Canada from the continent of Europe. I was looking over the figures the other day, and it may interest the house to know that in 1871, 92 per cent of the population of Canada were of British and French stock. The last census of 1931 shows a drop in this percentage to 80 per cent. In other words, in 1871 there were in this dominion only some 302,000 persons who had come from the continent of Europe or other countries, whereas in 1931 there were in this country 2,000,000 persons who were not of British or French stock.

It may well be that many of the British children who are sent here will remain. I hope it does not happen, but if Hitler makes an onslaught on the British isles it is possible that many parents might be killed. Even though that does not occur, there will be great benefits to Canada from this closer contact between Great Britain and ourselves, and we need more British stock.

I do not think the loyalty of any one should be judged by whether or not he gives a gift of money, and I shall not attempt to make such a judgment at this time. However, I think some praise should be given to those citizens of Canada, from the poorest to the wealthiest, who have given willingly, and, in some instances, most generously. There are those who have sent their fifty cents and upwards, which reminds me of the parable of the widow's mite. In proportion they gave more than many who gave in abundance. I think the gift of $100,000 to this country by the lieutenant-governor of British Columbia should give a lead to many other wealthy Canadians. In this connection I have nothing to say about the great city of Toronto. The mayor of that city set out to collect a million dollars, and I believe all he was able to get was $18,000.

Mr. MacNICOL: That is most unfair. No city in Canada is more generous than Toronto.

Mr. REID: I should like now to say something about the splendid work being done by the women of this country. On Thursday morning it was my privilege to attend the Capitol theatre to witness a picture put out by the motion picture bureau of the dominion government. After seeing that picture, one could not help but feel impressed and elated by the work being done by our women folk. The women from one end of Canada to the other are busily engaged in many endeavours and I think worthy note should be taken of what they are doing. They are showing a splendid example to the rest of the country.

I come now to the civilian defence units which have been set up in many parts. It is my opinion that when these units were first started they were not well received by the government. Speaking for at least part of British Columbia, I can say that the people there had two motives in mind when setting up these civilian defence units, particularly in the lower Fraser valley and other parts of the province. The first was a desire to do something about the possible unrest which was evident in certain quarters. It was said here that there was no danger, but those of us who live in British Columbia know what is going on. We have been greatly perturbed over the possibilities of what might happen in the future.

The Minister of Justice (Mr. Lapointe) has stated repeatedly that there has been no sabotage in Canada. That has been true so far, but that does not mean that there will not be attempts at sabotage. I think we would do well to utilize these civilian defence units. My opinion is that they should not be left to operate simply as civilian units; they should be tied up in some way with our military operations. Perhaps they could be drafted into the militia units. We should take advantage of this willingness to protect the life and property of our country. I trust the government will take serious note of this and give official recognition to these units.

I do not intend to mention the many vulnerable points of British Columbia because they should not be made public on the floor of the house. But we are greatly perturbed. I trust the Minister of Justice and the government will give consideration to the representations which are being made by the attorney general of British Columbia. I urge upon the government also to have additional naval units placed on the Pacific coast. No one can tell at what moment there may be other nations arrayed against us. We have our groups of nationals in that province in great numbers, and if other countries should turn against us, these with others might create a serious problem indeed.

I ask the government to do a little more for British Columbia. When members speak of the west they often think of it as stopping at the Rocky mountains. We have always to mention British Columbia as a separate province. But it should not be forgotten that we are the gateway to the Pacific. Frankly, those of us from British Columbia would like to see more protection given and much more done to prevent possible sabotage.

In conclusion, Mr. Speaker, as all well know, the situation is serious, but there is no reason for fear, let alone panic. If we gave way to that, we should only be playing into the hands of our ruthless enemy. Hitler's plans are, first, propaganda to create unrest and then fear, and then at a chosen moment to move in ruthlessly on the country he wishes to conquer. I advise hon. members who are interested to read Hermann Rashning's book, "Hitler Speaks," and then hon. members will realize that we must be prepared for any eventuality in Canada. Read of Hitler's plans and what he said in 1934 about what he would do to France, and you will see, Mr. Speaker, that his plans have been carried out exactly as predicted; and then read in this same book of Hitler's scheme with respect to the United States and Canada, and you will realize just why many of us are greatly perturbed over possible fifth column activities in this country. The present conflict springs from a pagan conception of some kind of new social order which is founded on might and cruelty, and which ignores the individual. Hitler has declared that he will obliterate religion from the face of the earth. Our civilization is founded upon the Christian conception of the brotherhood of man, the sacredness of human personality, and the sanctity of contractual relations. It is disgraceful to my mind that men in Canada have given utterance to the thought that they would prefer Hitler to this country.

Let us throw everything we have into the struggle now, and quickly, for we are fighting not only for democracy but for our very lives.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, my first word, too, will be one of congratulation to the Minister of Finance (Mr. Ralston) upon his presentation of the budget and the manner in which our national accounts were placed before the House of Commons. It was an exceedingly able piece of work.

I should also like to associate myself with very much of what the hon. member for New Westminster (Mr. Reid) has just said.

I disagree with him in his commendation of the ten per cent exchange tax, which affects us in the west in an altogether different manner from that in which it affects the people of British Columbia and of some other parts of Canada. As was anticipated, the new taxation necessitated by the war is heavy, and our country is perhaps unfortunate in that many of the taxes which were instituted during the great war of 1914-18, and in subsequent years, still remained on our statute books when this war broke out. Consequently, in order to raise additional revenue to conduct the present war, new ways and means of raising money had to be devised. Luxury taxes and taxes of that description were imposed previously, and to-day we have had to turn to other forms of taxation which bear heavily upon many classes of our citizens.

I should like to point this out, too, that we frequently make comparisons between Great Britain and Canada to show the effect of certain of our taxes, but we forget that indirect taxation in Canada bears heavily upon our people, particularly upon those with low incomes.

I notice it is estimated in the present budget that customs, excise and sales taxes will yield some $415,000,000 out of the $650,000,000 expected to be raised by taxation; and the taxes which I have just mentioned, particularly the sales tax and such a tax as that on sugar, bear heavily upon those with low incomes. May I interject that the new tax on cigarette papers will be a hardship for many of the poorer members of our population who roll their own cigarettes.

We have in the present budget a wide extension of the income tax, to which no real objection can be taken so long as those in the higher brackets bear their fair proportion of that taxation.

But the new national defence tax is in reality a tax on wages, affecting even the most lowly of our wage-earners. In my opinion the exemptions of $600 for a single person and $1,200 for the married are too low, particularly when we remember, as I said before, that we collect heavy indirect taxation from our people. In considering wage taxes, salary taxes and the income tax, the criterion ought to be, it seems to me, not how much do we take but how much do we leave. Even in making a comparison between, we will say, the province of Ontario and Great Britain, we find that the amounts taken leave substantial incomes as the income increases, and the differences between the amounts left in Ontario are relatively more in the higher brackets than they are in Great Britain. I have, as a matter of fact, had worked out the amounts that remain after the income tax is deducted, and I have them before me although I shall not take time to read them this afternoon, but these figures substantiate the statement I have just made.

The increase in the income tax, when we add the national defence tax, is proportionately greater in the lower and lower-middle than in the higher-middle and higher brackets, if I may put it in that way. As I have said, the question is not so much the amount one takes as the amount that is left in order to maintain a reasonable and proper standard of living.

I am sorry that the government did not explore certain new avenues of taxation which are, I think, available to them. At least two sources of profitable revenue remain untouched by the dominion, and there may be others. In my opinion they ought to have been utilized before a wage tax was considered. I have often spoken of a capital gains tax—the increase in stock values and unearned increment. I remember, of course, that the Sirois report does not consider that to be a fruitful field for exploration, but I think it ought to be explored by our Department of Finance. The second is a dominion succession duty tax. I realize that the provinces have invaded this field of taxation, but there is no reason why we should not apply some form of dominion succession duty tax. The Sirois report in this connection points out that for the period 1926 to 1935 the yield of inheritance tax per capita in our sister dominion of Australia was 1·8 to 3·8 times as large as in Canada, and in New Zealand 2·1 to 5·2 times as large. That will be found at page 120 in volume 2 of the report. Australia is not as rich a country as Canada, and probably wealth there is if anything more evenly distributed than in Canada; and New Zealand, of course, according to a recent book published by the eminent British statistician Mr. Colin Clark, is the wealthiest country per capita in the world, although income is much more evenly distributed there. But it is safe to say that the wealth in both our sister dominions is at least not more unevenly distributed than in Canada; perhaps indeed the very reverse.

If our provincial governments published each year figures of estates passing at death, as the British and Australian and New Zealand governments do, we should be in a position to estimate with some accuracy what the possible yield of a dominion inheritance tax would be, but unfortunately no such figures exist in Canada. It seems safe to say, however, that on the basis of the New Zealand experience a dominion inheritance tax would produce a very large sum of money.

A further source of revenue might be an increased tax on the non-resident holders of

Canadian securities. The present rate is five per cent. Why should it not be, let us say, twenty per cent? Again, I do not know how much revenue this would produce but I am confident that the return would be considerable. A further tax might be one on the returns from bonds, taken at the source. It seems to me that there is a discrepancy in our field of taxation at the moment. We are taxing incomes derived from industries and from profits. I am making no adverse criticism of that; in fact, I shall have something to say about it in due course. At the same time we have not explored the method of making the other form of capital investment bear its share of taxation, except of course through the income tax.

Then, too, we might ask our people, as they did in New Zealand, to contribute at this time their money in the form of interest-free loans for war purposes. The hon. member for New Westminster (Mr. Reid) spoke of loans at a very low rate of interest. I am in entire agreement with what he said, but I think we might go a step further. The Minister of Finance the other afternoon drew attention to a number of communications which he had received from relatively poor people virtually offering their all in the dominion's hour of need, and I think we have a right to expect that those who have large blocks of money might also be asked and perhaps, as in New Zealand, even compelled at this time to lend at least a portion of their wealth to the state without interest.

One of the most objectionable taxes in the budget, from our point of view, is the new war exchange tax, which was commended highly by one or two previous speakers. Let us not forget that that tax will work not only as a tax but in effect as additional tariff protection on certain classes of goods, and it will be felt by those who have to use certain imported commodities. Nearly all our families on the prairies are bound at certain times of the year to use imported vegetables and fruits, such as citrus fruits for which we can find no substitutes at certain seasons, and this tax will make it more difficult for them to obtain these products because of the increased price. Perhaps the prairie regions will suffer most in this regard, and it will be felt more by our farmers than probably any other group in the community, because they rely to such a large extent upon imported farm machinery of various kinds—imported farm machinery produced in some instances not economically in Canada but which our farmers require for their industry. I suggest to the government at this point that they might reconsider this tax and grant an exemption on farm machinery imported into Canada.

Imports of agricultural implements from the United States in the calendar year 1939 amounted to $20,098,391. On that basis the war exchange tax imposes upon the farming community in a single year an additional $2,000,000 or so in taxation. Of all sections in the community, with the exception of the unemployed, the farmers are probably the least able to stand the extra burden of taxation. In my opinion the same result in the conservation of our exchange might have been brought about by the adoption of a rationing system rather than by the method of taxation. I would urge, too, that in relation to other commodities as well as farm implements we should see to it that our price control board keeps a tight hand on Canadian commodities of the same class or kind produced in Canada, so that no undue advantage will be taken by Canadian manufacturers of this particular tax in the budget, if it is maintained.

Now I come to what we regard as the most serious defect in the budget proposals, namely, the excess profits tax. Let me repeat that if we ask men to lay down their lives and to die, as we have learned this afternoon that young Canadians are doing, then we have a right to ask that Canadian industry shall forego all profits for at least the duration of the war. Under the budget proposals, industries which made large profits in the pre-war years, especially those engaged in war industries—

Mr. MacNICOL: Is the hon. member referring to all excess profits?

Mr. COLDWELL: I will deal with that in a moment. I say, under the budget proposals such industries will pay no excess profits tax. I have a list of companies with their 1939 capital and their returns, a list which I have carefully prepared, with the assistance of an able statistician, from the *Financial Post* survey of corporate securities. The list contains the names of thirty-three companies, most of them among the more than usually profitable Canadian companies. Their total profits available for dividends in 1939 were $146,191,262. On the basis of their 1939 earnings, only nine of them would have paid any excess profits tax under the old act, and only two would have paid excess profits tax of more than $100,000. The excess profits taxes of the whole lot put together would have taken just 1·5 per cent of their profits; in fact after paying both the increased corporation tax and the excess profits tax these companies would have had left about 79 per cent of their profits. I may add that only seven of the companies would have chosen plan A which has now been discontinued.

Now we come to the new act. Under the new act, on the basis of 1939 earnings these companies taken together would pay, as in the former case, $28,757,156 in corporation income tax and $18,297,760 in excess profits tax. After paying both the corporation income tax and the excess profits tax they would still have available for distribution over two-thirds of their 1939 profits. It will be noted that our available financial reports cover very few mining companies, which are obviously in some cases among the most profitable of our Canadian companies. Unfortunately complete 1939 figures for these companies are not readily available, but it is safe to say that, if they were, the summary which I have given would have been even more startling.

Let me now give some further figures as to these thirty-three companies. The total capital in 1939 as computed under the Excess Profits Tax Act was $860,454,853. The total profits of the thirty-three companies represent a return of almost 17 per cent on this capital. The new excess profits tax applied to the 1939 earnings would leave a return of 11 per cent on the capital so computed. But there is a very wide gap between the lowest return and the highest, as I shall show in a moment. The total corporation income tax and excess profits tax of these thirty-three companies, on the basis proposed in the budget and assuming the 1939 earnings, would be, as I said, about $47,000,000. If we took everything over 5 per cent on the capital the proceeds of the tax would be about $103,000,000. Of course I am not forgetting that this would mean a substantial reduction in the amount we would subsequently collect in personal income taxes. But collection at the source, as we propose to collect the new defence exchange tax, would prevent evasion, and such an excess profits tax would mean a very considerable levelling off in income and doing away to some extent with inequalities. We might take advantage of the present war situation to bring about that desirable end.

I turn now to one or two of the companies for the purpose of indicating the excess profits tax on the new basis laid down in the budget.

Consolidated Mining and Smelting Company's profits amounted in 1939 to $9,339,586. The corporation income tax is $1,867,917. The excess profits tax on the new basis would be $933,959, making a total tax of $2,801,876, leaving $6,537,710, or, on the basis of capital as defined in our act, a profit of 33·6 per cent after the taxes are paid.

Canadian Industries Limited: profits $6,232,143, corporation income tax $1,246,429, excess profits $623,215. Total $1,869,644, leaving $4,362,499, or a return of 25·2 per cent on the capital as defined in our act.

[Mr. Coldwell.]

I give a brief summary of two or three others. International Nickel on the same basis would have remaining a profit of 18·2 per cent on the basis of capital as defined in our act. Aluminium Limited, which because of the peculiar conditions in that industry over the last four years will pay the largest tax of any of these big more or less war industries, would have 11·8 per cent left. Asbestos Corporation would have 16 per cent left.

Of course we consider that such profits ought not to be permitted during the course of the war, and that we should take all profits above a fair return on the capital invested and the risk taken. That would vary in various industries. The hon. member for Davenport (Mr. MacNicol) asked me a few minutes ago if I would take all profits. I believe that these industries can be classified according to risk experienced, and so on, and after having so classified them we would take all profits above the amount which we consider to be a fair return for the risk taken.

Because we feel that the new excess profits tax fails to tax the profits of profitable war industries, I am going to move an amendment to the budget resolution, as follows:

That all the words after "that" in the said motion be struck out and the following substituted therefor:

This house regrets the failure of the government to impose a one hundred per cent tax on all profits in excess of a fixed return on capital invested.

This carries out the idea which I have endeavoured to place before the house.

I want also to say something about the other obligations that we have undertaken. In addition to financing Canada's own war effort we are undertaking, quite properly may I say, the financing of certain British purchases and operations in Canada. It is estimated that some two and a half billion dollars' worth of Canadian securities are held in Great Britain, and I am told that of these probably not more than one and a half billion dollars' worth are readily realizable. Dividend and interest payments on this sum, at four per cent, would amount to $60,000,000. I am not forgetting that repatriation of these securities would bring about several good results. If the government retained the securities it would extinguish an appreciable part of the dominion debt and the debt of the Canadian National Railways. It would make the dominion the owner of a large amount of certain provincial and municipal bonds, which incidentally might assist in bringing about the adoption of the recommendations contained in the Sirois report. It would make the government the chief owner and creditor of the Canadian Pacific Railway, and the owner of large interests in various other

British-controlled corporations. It would relieve the Canadian economy of a large annual burden of interest payments abroad.

I do not know how the government proposes to proceed in this regard, but it seems to me that these desirable benefits should be secured for the dominion if at all possible. On the other hand it would have another effect which would be bad. At present Great Britain's ability to buy our wheat and other products is due in large measure to the fact that we export large quantities of goods to her, and in this form she receives interest payments on her investments in this country, because thus she acquires a quantity of Canadian exchange. If she realizes upon these investments during the war and these securities are repatriated to Canada at the end of the war Great Britain will no longer have those funds available with which to buy our Canadian products. As I have indicated, the Canadian economy will be relieved of one burden, but the internal result may not be so happy. As one who lives in western Canada, where we are dependent almost solely on one great export commodity and one great customer, I am fearful of the result. We may have a dislocation of the Canadian economy as severe as the dislocation which resulted in many countries from the introduction of machinery. There may be a disastrous effect upon the economy of Canada, and particularly of western Canada, unless we are able and bold enough to take the necessary steps to meet the situation.

Yesterday I was glad to hear from the hon. member for Danforth (Mr. Harris) that the party which he represented was suggesting an import-export board. We have been urging that for years, but the proposal has always been frowned upon. I believe, however, that when this war is over, as the hon. member for New Westminster (Mr. Reid) said a moment ago, we shall find ourselves faced with an entirely new set of conditions which will require new policies; and I agree with the hon. member that the old idea of the flow of trade and interruption by tariffs will be just about as extinct as the dodo. We shall have to plan intelligently our exports and imports to meet the new conditions with which we shall be faced. Not the least of the difficulties we shall encounter will be that of improving our position in relation to Great Britain if we should lose that market on account of the repatriation of our bonds.

It seems to me therefore, that there is a clear case for immediate consideration of the planning of our social and economic structure so that we may withstand not only the stress of war but also the economic and social dislocations that will follow. Indeed, we may be faced with the problem of a Europe self-contained, though poor, if—as I believe will be the case—we are victorious. I do not think there is any question of that; I scarcely needed to say "if". But if on the other hand—and of course this "if" is bigger—Hitler should succeed even in making a peace that might be advantageous to him, we might find ourselves confronted by a continental economy in Europe and have to consider ways and means of organizing our north American continental economy on this side of the Atlantic ocean.

These are some of the features of the budget that have appealed to us. There are many other matters which we might have discussed at some length. I have tried to deal with just a few of the points that seemed to me to be of major importance at this time; the other matters can be dealt with when we take up the various budget resolutions. Let me repeat, however, that we insist that in all these matters of taxation and collection of revenue there shall be equality of sacrifice. Last week we hesitated to give the government the wide powers which the house finally gave—and which we approved—because we wished first of all an undertaking that before human lives were conscripted some of these great corporations, to which I have referred this afternoon and a list of which I have before me though I did not read it, should be called upon to make at least an equivalent sacrifice. And in our opinion the budget has not ensured this.

These, then, are some of our criticisms. We commend the government for having endeavoured to adopt a pay-as-you-go policy, incidentally to a greater extent than I anticipated. I am glad to see such a large proportion of our war expenditures raised by taxation. I think it only right and proper that this generation should pay for the war which this generation permitted to fall upon the world. But, as I said earlier, if we must borrow money let us borrow it at the lowest possible rate of interest, or let us endeavour to obtain some of the money we need on loan without interest at all.

Yesterday in this house hon. members discussed the pressing problem of the great industry in which my own people are engaged, the wheat industry. Most hon. members refer to conditions in their own constituencies, and before I resume my seat I should like to say that in my opinion as soon as possible—and that ought to be at once—the government ought to tell the producers of that great commodity, upon which such a large portion of this country depends, exactly what the policy is going to be this year in relation to

the marketing of wheat. We know perfectly well that there is a tremendous surplus unsold, on hand, in the country. But when the new crop is reaped, in all probability there will be a much larger surplus than we have ever known. That surplus may play an important part in the world when the war ends. Starving Europe, even semi-starving Britain, may be glad of a goodly portion of it. But it is neither just nor fair to expect the men and women who have produced this valuable commodity to carry the load in the meantime. To my mind the government should take over grain from the farmers at a price which will enable them to live. No one is asking for a profit, least of all the western farmer; he is asking for simply enough to enable him to continue on an even keel. Give him that, and he will be satisfied. Give him that, and he will continue to produce the commodity which may be of vital importance to this country and the world in days to come.

I repeat on behalf of the group with which I am associated that we are prepared to assist the country in every possible way to bring to a successful conclusion the great struggle in which we are engaged. But we urge—nay, we demand—that in this struggle no one shall be permitted to amass great wealth; that there shall be equality of sacrifice, and that all profits, at least for the duration of the war, over and above a fixed amount required to give a reasonable and proper return, shall be taken for the prosecution of the war and the benefit of Canada.

Mr. J. H. BLACKMORE (Lethbridge): Mr. Speaker, the point of view my group takes will result in an exactly opposite attack from that just made by the hon. member for Rosetown-Biggar (Mr. Coldwell). The idea of increasing taxes is the idea of increasing poverty, and not the idea of increasing abundance. We, sir, are in an age of abundance; we are in a land of abundance; we are in a world of abundance; we are in the most glorious age the world has ever seen. All we need is to discover how to use what we have. Therefore nothing will be said by my group about increasing taxation, or about sharing poverty. There is enough and to spare for all, even if we are at war.

Having said that, may I turn to the Minister of Finance (Mr. Ralston) and congratulate him sincerely—and he knows I speak sincerely. He took a very difficult job. He has made the best of a very bad job. He had to do his work under the restrictions, regulations and preconceived notions of a system which has made itself a stench and an abomination in the nostrils of the world. So I say he deserves great commendation for the success he has achieved in connection with what he has set out to do.

His budget is an excellent orthodox budget. Having said that for it, I have condemned it as much as I have praised it. This budget is one of scarcity, not of abundance. Therefore it is completely out of place in this age. It is a budget leading towards inflation and to adverse exchange. Hon. members in the group with which I am associated have been repeatedly accused of advocating inflation. On the absolute contrary we are the only group in the house advocating a policy which will prevent inflation, not only for the present but for all time. As I said, this budget will cause inflation. Every item in it will lead towards inflation, and I believe I can successfully prove my statement. It is a bottleneck budget. It is a budget which in this age is one of timidity, despair and defeat; for it puts money first, and regards money as a cause rather than an effect or a result. It looks down, not up.

It lacks vision. As the scripture says: "Where there is no vision the people perish." There must be new vision, even to fight a war.

May I draw the attention of hon. members to a great remark by a man who, I believe, has been one of the greatest to perform in this assembly; I refer to the Right Hon. R. B. Bennett. Speaking on January 31, 1938, as reported at page 47 of *Hansard,* the right hon. gentleman said:

> I am convinced that there are methods which might be resorted to, even though they might be experiments, that are worthy of the consideration of the Canadian people; and I believe that if the government took a strong lead with respect to these, and commanded, as they would command, the support of men in every part of the house, they would be amazed at the results that would follow.

May I say that those words are as true to-day as they were when they were uttered, and they were prophetically true when they were uttered.

All progress has been due to the discovery and application of new principles and new laws. For example, when it was proposed that Britain should build iron ships, it is reported that men frequently greeted the proposal with such scornful expressions as this: "Iron, forsooth; why not stone, then, for ships?" There is just as much intelligence in that expression as there is in many of the expressions with which the new economics is greeted to-day. They were able to build iron ships because they had learned that if iron is put into a certain shape it will displace more than its weight of water. Immediately that principle was discovered and applied, the

whole shipping industry and management completely changed and the world went forward into a new era.

Take aeroplanes. For a long time men did not realize that it was possible to make a body which was heavier than air float in the air by causing it to go so fast that its speed as well as its area created buoyancy. The very minute it was discovered that speed would cause such a body to displace weight; the very minute people discovered successful means of applying speed, they were able to create aeroplanes which were heavier than air and which could float in the air. But for thousands of years they did not know how to apply that principle.

Take the alternating current in electricity. Thomas A. Edison understood electricity as it was manifested in the direct current. According to the principles of the direct current, the greater the power of the current, the larger the wire had to be which carried the current. The result was that a definite limitation was placed upon the power of the current. William Stanley, a reformer who had new ideas in his mind appeared. He had vision. He realized that it would be possible so to manage electricity that a current of increased power could pass through a smaller wire. This he did by passing the current through a transformer to step up the voltage. That principle introduced a new era. Thomas A. Edison condemned William Stanley's idea as impracticable nonsense, but William Stanley was right.

The reformer has always been met with suspicion, scorn, resentment, antagonism and even persecution. Every one of the illustrations I have given proves that. Every political reform has been met with the same kind of reception. Take chartism as an example. One hundred years ago a terrific battle was fought in Great Britain over the reform known as chartism. There were six principles in chartism: First, equal electoral areas; second, universal suffrage; third, payment of members of parliament; fourth, no property qualification; fifth, vote by ballot, and, sixth, annual parliaments. There is not a member in this house who would oppose for a split second any one of those first five reforms. To us they are obviously commonplace, but to the man of a hundred years ago they were so revolutionary that the people who advocated them were treated far worse than are the communists in our country to-day. They were alleged to be more dangerous to society. Let hon. members read the story of chartism; it will prove most revealing. Let us not, then, disregard the reformer or his ideas.

Canada can turn the scales in this war. She is the eldest daughter still dwelling under her mother's roof. Hers is the responsibility to defend the motherland, and hers the ability. She has a marvellous people. May I read one of the last statements made by the late Hon. Mr. Rogers? He said:

> The government at Ottawa has been inundated with offers of assistance from individuals and various associations. These have been so numerous that it has not been possible in all cases to send prompt replies.

Not only are Canada's people possessed of the winning spirit, but she has a large population. Just across the border is an elder sister "living on her own," but nevertheless jealously watching the welfare of the motherland. There is a sister within whose borders are over 11,000,000 unemployed, most of whom would be delighted to come to Canada to work in case we needed them. Canada's potential resources as far as people are concerned are almost limitless. Canada's material resources consist of mines, forests, farms, factories, railroads and other means of transportation, which place her among the greatest nations in the world. Canada's financial resources can and should be the result of her people and her material resources. If her people are well-nigh limitless in their potentialities, if her material resources are well-nigh limitless, then her financial resources must of necessity be well-nigh limitless. Before I am finished I shall give the house quotations to show that I am not advocatng anything unorthodox, to prove that such is beginning to be recognized by men like the governor of our Bank of Canada.

May I digress for just a moment to give credit to the governor of the Bank of Canada? I had occasion the first time I spoke in the house this year to make remarks which were in some measure a reflection on that gentleman, but I had no desire whatsoever to disparage him. He had spoken under the restrictions of the present system. He is a progressive, courageous, open-minded, honourable young man of whom we can well be proud. I am going to quote briefly passages from his testimony to support what I have said.

This budget limits Canada's available money to taxation and borrowing. Now taxation has obvious limits. After a government taxes its people beyond a certain point, it encounters the law of diminishing returns. Borrowing, too, has manifest limits both immediately and ultimately. But the limit to the money which we have should be our materials, our capital equipment and our men. Let me read from the proceedings of the banking and commerce committee of this house last year:

> Q. —so far as war is concerned, to defend the integrity of the nation there will be no difficulty in raising the means of financing whatever those requirements may be.

Mr. Towers: The limit of the possibilities depends on men and materials.

Q. —and where you have an abundance of men and materials you have no difficulty, under our present banking system, in putting forth the medium of exchange that is necessary to put the men and materials to work in defence of the realm?

Mr. Towers: That is right.

That statement has tremendous significance for us at this stage of our national life. May I quote from the Bank of Nova Scotia's *Monthly Review* of October 1939, entitled "Economics of War, No. 1":

Financial outlays are no more than an outward sign of the inner reality. The true measure of a country's ability to prepare for or to wage war is the degree to which it can enlarge and redirect its productive capacity to this end. So long as there are unused resources of labour and capital and so long as peace-time resources may be diverted to war purposes without reducing living standards below a minimum subsistence, it is feasible for a nation to increase its war-time capacity and to find the necessary financial means.

May I quote next from a man who is accepted by most thinkers as at least worthy of attention, Paul Einzig? From his book "Economic Warfare", published in 1940, I quote from pages 80-81:

While it may be open to argument whether in time of peace it is advisable to restrict production in general, in any circumstances, for the sake of preventing a credit inflation, there can be no question about the folly of attempting to hamper production in time of war by means of credit restriction measures.

May I stop there a moment? Credit restriction for primary producers has been in evidence from one coast of Canada even unto the other, and is now. In my constituency there are simply hundreds of farmers who cannot carry on their summer fallow operations because they cannot get credit. And yet these men are engaged in production. And Canada is at war! I quote further:

If the producers have not enough capital, they will have to be assisted by means of an adequate amount of credit, irrespective of the effect of such expansion upon the monetary situation. In any case, the extent to which credit expansion reacts upon the price level is apt to be overrated. In so far as the credit expansion leads to the creation of purchasing power without a corresponding creation of goods, it tends to cause a rise in commodity prices. If, however, the creation of additional purchasing power is either prevented or offset, then there is no reason why credit expansion in itself should lead to a rise in commodity prices.

I think the bearing of what I have said must be clear. There is no limit to the amount of credit expansion or money expansion which is possible to a state like Canada except its men and materials. The government must create, issue and circulate, debt-free, such amounts of currency and credit as Canada's materials, equipment and manpower will justify. In other words, money can be created, issued and circulated to the point at which there becomes a scarcity of goods and services. Up to that point there will be no rise in prices—what we call inflation. The government must then manage that new money so as to prevent inflation and adverse exchange.

[Mr. Blackmore.]

May I quote another passage. I must crave the indulgence of the house for quoting rather extensively. As matters stand, people in my group are looked upon as crackpots so to speak; people think we do not know. That is just the way Edison felt about Stanley; it is how the opponents of the development of steel ships felt; it is exactly the way people felt about chartism, and women's suffrage, as my colleague (Mr. Hansell reminds me. I can remember being called a crackpot and fool when I was in university because I argued in 1912 in favour of women's suffrage. Conditions being as they are, I have to quote the words of men who might be recognized as being wiser than myself. May I quote these words of the Right Hon. Reginald McKenna in a speech to his shareholders on January 30, 1936:

Additional currency, however, can now be furnished by the authorities, if they choose to exercise their powers without reference to the central bank's holding of gold. Thus the nineteenth century, which brought into general use a means of payment hitherto scarcely known outside London, brought also the machinery whereby it could be subjected to intelligent control.

Again, in the same speech:

We learnt that a shortage of money may be just as vicious in its effects as an excess, though deflation has still a touch of virtue about it in the minds of many people. Nevertheless it is becoming more and more widely recognized that greater productivity calls for an increased supply of money, for otherwise prices will fall, business will stagnate, and the growing productive capacity will be unused.

May I stop to comment briefly on that passage. Every measure in this budget is designed to decrease the amount of money in the people's hands, and consequently is certain to produce the ill effects which Mr. McKenna here points out.

Further on, Mr. McKenna says:

For money to be truly sound there must be enough of it to finance an ordinarily growing volume of trade, yet not so much as to give rise to an inflationary rise of prices.

With that statement I completely agree.

May I quote again from Mr. Towers, in the banking and commerce committee, words the truth of which I think very few people in Canada have come to realize. And before

I quote those words may I stop just a minute to pay a tribute to the efforts of at least two men who were members of the House of Commons last year. One of them is sitting in his seat, the hon. member for Vancouver-Burrard (Mr. McGeer), and the other is the hon. member for Rosthern (Mr. Tucker). I name these two gentlemen because they are Liberals. There are others in other groups whom I will not name, but these two men were responsible in very large measure for the vast amount of information which was elicited in the banking and commerce committee in clear and simple language so that he who ran might read. I believe that they did a service for the people of Canada the extent of which cannot perhaps be even dreamed of at the present time, and I wish to pay a deserved tribute to them. And now let me quote from the evidence of Mr. Towers:

Q. When a $1,000,000 worth of bonds is presented by the government to the bank, $1,000,000 of new money or the equivalent is created?

Mr. Towers: Yes.

Q. It is a fact that a million dollars of new money is created?

Mr. Towers: That is right.

That will be found at page 238. Again:

Q. Now, as a matter of fact, to-day our gold is purchased by the Bank of Canada with notes which it issues . . . not redeemable in gold . . . in effect using printing press money . . . to purchase gold?

Mr. Towers: That is the practice all over the world. . . .

That will be found at page 283.

These words completely support the most extreme views ever expressed by this group. Now, I ask the house this question: If the money can be created and is created, is there any conceivable reason why the government and the people of Canada should be in debt for that money, or pay interest on it? Is there any imaginable reason why we should be short of money provided we have goods and men?

I recall an experience of the last war, to which I referred in one of my speeches, when Canada created $26,000,000 of new money debt free and used it to defray government expenses. I pointed out that the interest saved on that $26,000,000 since the time of its creation amounts to over $1,000,000—I do not remember just how much. In the United States they used greenbacks debt free during the great civil war. Greenbacks were deliberately discredited by several means. If there was any fall in the price of greenbacks from causes other than manipulation, that fall occurred because the people of the United States at that time did not have sufficient goods. There was a shortage of goods. It is worth knowing that through the greenbacks the people of the United States have been saved eleven billion dollars in interest alone.

I believe I have amply established to anyone who is realistic in his thinking about money that the government can procure, debt free, vast quantities of money the limit of the amount of which is the material and men in the country.

What shall the government do with the money once it is created? That is an extremely important question. To succeed, the money must be managed right. In the first place, the government can lend money at any rate of interest at which it chooses to lend it and for any length of time it chooses to allow. It can lend that money to any primary producer in Canada—farmer, fisherman, any primary producer at all. Our people are suffering acutely because they cannot get loans. In the light of what I have said it is absurd that they should be so suffering. By leaving them without the means of producing, we are sabotaging the country's war effort.

In addition to that, the government can lend money to secondary producers—shoe manufacturers, clothing manufacturers, flour manufacturers, any producers whose product it wishes the country to have or which it thinks the country is likely to need within a reasonable period of time. To do so, all it needs to do is to exercise the power to create currency or credit, the two powers referred to in the two quotations I have just read into *Hansard,* coming from the proceedings of the banking and commerce committee in the words of the questioner and of Mr. Towers. In the face of these facts, hon. members can imagine what condemnation will be heaped upon the heads of the members in this parliament, and of those constituting this government if anything happens as a result of which irreparable disaster befalls Canada.

Again, the dominion government can lend money for housing, not at the crippling rates now charged, prohibitive rates, but at exceedingly low rates of interest on long and generous terms, enabling the poor man to get money to build his house.

But people will say, "Oh, that will cause inflation." Now, it cannot cause inflation if the money when it is lent can be spent without raising prices. Is there a sufficient amount of lumber throughout the country to build houses in abundance? Is there a sufficient number of mills to replenish supplies of lumber? Are there adequate forests to provide raw materials for the mills? Are there other products and materials needed in the construc-

tion of homes for the people? The answer to each of these questions must be unequivocally yes. Then how can the money possibly cause inflation? Then again, the government can use this new money to pay fair prices, first, for all primary products. Last night we engaged in a most profitable discussion on wheat. There are from coast to coast in this country hundreds of thousands of men producing wheat and other thousands who are in charge of matters who see no hope at all with respect to the price of wheat. That absence of hope need not be. The government can create new money and with that pay whatever price for wheat it sees fit. It can pay a fair price for all other commodities, all meats, all animal products, all vegetables and fruits and fish, and every other primary product. The question will be asked: But will not that cause inflation? The answer is: Would it cause inflation if you could sell these products say to Japan and get the money from Japan and spend it? Manifestly not. Well, if you could spend Japanese money in Canada without causing a rise in prices, unquestionably you could spend Canadian money without causing a rise in prices.

Furthermore the government can use such created money to give a lowered price, a discounted price on secondary products. For example if a pair of shoes is at present offered for sale by a retailer in Canada at $5, it having been determined that $5 is a fair price, there is no reason why the Canadian government cannot pay with created money $1 of that $5 and allow the consumer to buy the article at $4, thus greatly increasing the amount of such goods that can be bought, consequently sold, consequently produced. Therefore the prosperity of the country would be increased. To the question, will it cause inflation, we reply, could you spend the money if it were United States money? The answer of course is yes. Why? Because you have plenty of goods and plenty of productive capacity to produce more goods and plenty of resources to support the productive capacity. That is the test of inflation. I shall in a moment read quotations to support what I say.

Thus the government can make sure that the price level in Canada is just whatever the government chooses it shall be. Hon. members in the debate last night on wheat pointed out that the price of goods, 147 articles, that the farmers in western Canada buy has risen until to-day the farmer is paying $1.34 for goods which in 1914 cost him $1. Manifestly there is a situation which must be made right. As we are to-day situated economically in the world, it is impossible for this government to do anything to bring those prices down from $1.34 to $1. But if the government began to use the principle that I am outlining, which is one of the principles of social credit, the government could bring down those prices without injuring anyone.

Then again the government could use the new money to construct water conservation projects and irrigation works, to build roads, to carry on reforestation. I tremble to think of what might happen if Hitler should get past Great Britain and attack the sacred shores of Canada. Whereas in Germany they have great roads laid down adequate for the most speedy transportation of the most deadly weapons of modern warfare, we in Canada scarcely have a trans-Canada highway. How helpless we would be to defend our shores! Is there any reason why we could not build desirable roads? The only question is, have we the material, have we the men? The answer must be yes. Then if we have the materials and the men we surely can have the money; otherwise all these authorities whom I have already quoted are wrong; and common sense is wrong.

Again the government could use created money for training men, training its people. Hon. members tell us we need to have our youth trained; the hon. member for Davenport (Mr. MacNicol) has told us that. But about all we do is to wish piously that we knew where to get the money with which to do it. We all recognize that it ought to be done; we all recognize that we are in grave danger, that the existence of this country is threatened when we leave it undone. We say we have not the money, yet we have these declarations of eminent authorities to the effect that the amount of money a country can have depends only on its resources of materials and men. We could train people for military duty. The government could use such money to buy aeroplanes, tanks, armoured cars, munitions of war, anything it chose. During the last war, between 1914 and 1917, the dominion government created $26,000,000 and used it to pay off some debts of the railroads, as I recall. The creation of that $26,000,000 caused no trouble, nor would it to-day.

I come now to another matter which I think should be of interest to the Minister of Trade and Commerce (Mr. MacKinnon). I know he must be greatly worried about where we are going to sell our surplus products. People all over the country are worrying about it. That worry would be needless if the government were to exercise this power of creating money which their own governor of the Bank of Canada tells us they possess and implies

that they could use! In the first place they could buy and preserve and store our surplus goods. They could buy the surplus wheat in western Canada and build storage facilities and store it therein, and entirely relieve themselves of anxiety with respect to our wheat surplus, at the same time building up a store which may be of tremendous value later on, in the vicissitudes which doubtless await us in the dark days ahead. The government could buy our surplus apples, dry them and store them; could buy our beans and peas and corn and other imperishable products. Conceivably they could even buy such perishable articles as fruits, and can them and store them.

But people say, would not that cause inflation? If Uruguay or the Argentine or Germany or England bought those goods, would we be able to spend the money in Canada? The answer is yes. Then you can spend Canadian money without causing a rise in prices. And inflation is a rise in prices. Again, the government could buy the products of our mines—zinc, copper, aluminum, any other product that it found there was need for, and could trade that for products such as oranges, which are produced outside the country. Even in countries where we cannot now sell wheat and the major products of our farms and industries, we could sell some products which we have. Thus the government could overcome the loss of markets by exercising this power of creating money by applying the principles of social credit.

I come now to another extremely important matter. There is not an hon. member of this house who is not eager to do everything he possibly can to help Britain. The hon. member for Dufferin-Simcoe (Mr. Rowe) the other night, as I recall it, suggested that we give Great Britain five million bushels of wheat. Under the system I advocate it would be possible to give Great Britain any quantity of any product that this country can produce, without its costing the people of this country one cent. The pressure upon British exchange, which to-day threatens to strangle her and is gravely impeding her war effort, could be removed by Canada. All that is necessary is that we put more people to work, use more of our resources and produce more of the required goods, using the goods and services as justification for creating the money, then buying the goods and services and giving them to any country we wish. The importance of this principle can scarcely be overestimated. But at present we are helplessly, and I might almost say inanely, wringing our hands and shrugging helpless shoulders and saying: We do not know how we can sell Britain our goods, because we cannot buy British goods. Our ability to buy British goods has nothing whatever to do with our ability to let Britain have our goods, if we face the facts as they are.

There is another thing the government can do which will be extremely important in the winning of this war. At the present time people are suffering most painfully from small relief allowances. Inevitably prices are rising, notwithstanding the vigilant—I almost said noble—efforts of the government to prevent it. But as prices rise, relief allowances are being cut down instead of being increased. Anyone can see that a situation is being created which is going to be painful in the highest degree, a situation which we have no right to allow to exist if there is any way of avoiding it, and I say there is a way. In addition we can supplement wage rates. As prices tend to rise, men are going to become restless with their meagre wages and will threaten to strike and perhaps will strike. There is no reason why the government cannot supplement wage rates, rendering the people better able to buy the goods we can produce so abundantly. The government can increase the pensions it now pays, both in the size of the pension and in the extent of their application. The government can increase other allowances to people throughout the country.

Once again I must deal with the question of whether or not this will cause inflation. What is inflation? It is a rise in price which results from having more money in circulation than there are goods in markets to buy. That is the only cause of inflation about which we need concern ourselves. The truth of what I say has been indicated by some of the quotations I have already given. To-day there is no gold behind the Canadian dollar. Has that made any difference to any one of us? Not the slightest. Then evidently it is not gold that gives our money value. What does? Well, it is largely our need for the money. Inflation results from a shortage of goods. This can be proved by reference to Germany, where the famous inflation took place. It can be proved by reference to any of the unfortunate monetary experiences which the wiseacres of finance trot out to-day in order to scare people. In every instance there was a shortage of goods. The shortage in Germany in 1921, 1922 and 1923, when inflation took place, was simply appalling; and that shortage of goods and services was the cause of the German inflation. I read a passage from Paul Einzig that applies here. Let me read another quotation, this time from page 1531 of *Hansard* for March 3, 1939. This was a little conversation between myself and the

former Minister of Finance, Hon. C. A. Dunning. I made this remark:

> The minute you get more money in circulation, let me repeat, than enough to do the work of distributing goods and services which are abroad in a country to be distributed, then you have inflation, and not a minute before.

Mr. Dunning: That is correct.

Now I should like to read from the latest address by Right Hon. Reginald McKenna to his shareholders.

Mr. SPEAKER: I must call the hon. gentleman's attention to the fact that his time has expired.

Some hon. MEMBERS: Go on.

Mr. RALSTON: There is no objection to the hon. gentleman's going on.

Mr. SPEAKER: By unanimous consent.

Mr. BLACKMORE: Thank you. I was under the impression that I had a little longer. I appreciate the indulgence of hon. members. This quotation, coming as this man's most recent pronouncement to his shareholders, I take to be epoch-making and fraught with the gravest significance to us. These are his words:

> Inflation, if it comes, will be due to the growth of consumption, civil and military together, beyond our capacity to produce. The military demand must be satisfied, and in the long run, if no other means can be found to bring the total demand for goods within the limit of production, inflation, with its accompaniment of rising prices, sets in as an automatic check on civilian consumption.

But I have shown that in Canada, because of our tremendous productive power, it is almost impossible to get our consumption beyond our ability to produce. Consequently talk of inflation in Canada is idle in the light of existing realities and in the light of the modern conceptions of men best qualified to understand economic matters. Here is another quotation from the same speech:

> But the means of restraint, if not of prevention, are at hand. The government has made a great advance in recent years in the management of monetary conditions.
>
> With full powers at its command and wisely used, it can determine the degree, if any, of inflation that will be permitted.

When we gave the government complete control of everything the other day, I say we gave them complete power to prevent inflation, no matter how much money is in circulation in the country. Now, can Canada stand so much money? I have answered that question. Surely she can. The only question remaining is whether she can stand so much goods. The Searle index, which hon. members have heard quoted in this house many times, is made up on the basis of 147 items which have been selected by the Searle Grain company. These are 147 items bought by the farmers in western Canada. The other day I consulted an authority in Ottawa who told me that of those 147 items only eight came from outside this country. The warehouses, stores and factories of Canada are literally bulging with the other 139. While the resources from which to manufacture more such goods are practically limitless. I think hon. members will be startled, as I was, when they learn how many woollen mills we have in Canada. I received this information just recently from the hon. member for Waterloo South (Mr. Homuth). I have the list here somewhere. According to these figures we have 214 woollen mills in this country. Who can imagine that we cannot produce all the clothing our people can use? An hon. members says we have only 3,000 sheep. Well, Mr. Speaker, budgets such as this and management of this country such as this government is exercising are preventing the people from increasing the sheep population, and we are thereby running the risk of inflation. We can easily increase our sheep population. Then we have forty-four cotton mills and sixty-five silk and rayon mills.

There are certain remedies against inflation which a government can apply. The first of these is generous production. During these last years the men who have had charge of our education have not led us to think of inflation correctly. If you increase production, you decrease the possibility of inflation, because you lower prices. Anyone can realize that. So, if we want to prevent inflation, let us generously increase our production throughout the land. We can store substantial supplies of commodities such as wheat, beef, pork, beans and other commodities, and every bit of those stores is a guarantee against inflation. We can give price discounts to bring prices down instead of up, thereby decreasing the possibility of inflation. Then, we can ration; other nations have had to do that. If we ration any commodity likely to become scarce, we shall prevent pressure from being applied on that commodity, such as sugar, or any other, the price of which may increase through scarcity.

Taxation, upon which this budget is built, does the following things which lead towards inflation: It limits and discourages production. It limits and discourages consumption. Where consumption falls off, production must fall off, because it cannot sell its product. Taxation raises prices, and directly leads to inflation. This causes labour troubles, as a result of applications for increases in wages. It impairs the vitality of the people. It centralizes purchasing power in fewer hands, so that when

the money is spent it is spent for more or less specialized commodities such as cars, radios, fur coats of high quality, and the like, and there is a tendency to raise the prices of those commodities. All of these induce inflation.

Taxation, therefore, tends to adverse exchange; for the higher prices rise, the less possible it is for us to sell our goods to our neighbour, and therefore the less chance we have of having a favourable trade balance. Consequently I maintain that this budget is working directly towards inflation and adverse exchange.

Borrowing, the other principle upon which the budget is based, weakens the confidence of the people, engenders anxiety, defers taxation, destroys the morale of the people, makes the soldiers fight the war and then come home and pay for it. That is one of the most monstrous injustices conceivable.

And now, as I conclude, let me say: There is too much of a tendency for Canada to look down. Let Canada look up. We shall not be poorer at the end of this war. There is no reason why we should be poorer. Our productive power is increasing on every hand; our scientific knowledge is increasing. All we lack is a sound financial system.

We are not going to be broken by this war; let us keep that in mind. In due time we shall change our present system for one which will enable us to produce as we can. We are not going to be broken in this war, I repeat and, under God, we are not going to lose. There is a way out; there must be a way out. The future for Canada is glorious. We can, under God, defend Britain, recover Europe and lead the world to a new understanding which could free that world from the causes of war. It can be done. All we need do is discover the underlying principle upon which the new and glorious order is based.

Mr. D. KING HAZEN (St. John-Albert): Mr. Speaker, I was of opinion when I first entered the house, an opinion which has been strengthened during the eventful days that have passed, that this is no time for us to indulge either in platitudes or in recriminations about the achievements or the mistakes of the government; nor is it the time for us to play party politics, but it is our duty as Canadians to unite and in our own interests do everything within our power to bring the war in which we are now engaged, and in which we have suffered great reverses, to a victorious conclusion.

It is my opinion, and I believe the opinion of most of us, that it is the duty of the government to cooperate with and to assist in every possible way the government of Great Britain and the government of that part of France which proposes to continue the war until the last gun is fired.

It is the duty of the government also to make plans and preparations to defend this country in the event of its being invaded.

I believe practically all members of the house, irrespective of politics, are in agreement on those two policies, and it is not my intention to discuss them in detail this afternoon.

I would say, however, that in my opinion the plans and preparations to defend Canada should be made and should be carried out with all possible speed. Those plans should be based on the possibility that this country will be invaded within three months' time. I do not say that Canada is going to be invaded in that time; I do not know, nor does any other person know what may happen. But the government should be prepared to meet every eventuality. It should set a time limit for the completion of its preparations, and should gear up industry and mobilize manpower to meet requirements so as to come within that time limit.

The government has been given what amounts practically to dictatorial powers under the mobilization measure passed a short time ago. It is now up to the government to put those powers into operation, so far as it is necessary to do so, in order to defend Canada from invasion. Responsibility for our defence rests with the government. No government in our history has had to shoulder such heavy responsibilities, and the people of the dominion look to it, not without some feelings of uneasiness, for greater effort and for more action. They want to see results. They want to see the preparations for the defence of this country completed before it is too late.

Towards the end of 1916, when the existing machinery of the then British government appeared inadequate to deal with the task ahead of it, and when Serbia was overwhelmed, Lloyd George made his famous "too late" speech. "Too late" he said, " in moving here; too late in arriving there; too late in coming to this decision; too late in starting that enterprise; too late in preparing. In this way the footsteps of the allied forces have been dogged by the mocking spectre of too late. And unless we quicken our movements damnation will fall on the sacred cause for which so much gallant blood has flowed."

The Prime Minister of Canada (Mr. Mackenzie King) may well ponder those words. They are not altogether inapplicable to what has happened in Canada in the last few months, since war was declared. Unless we quicken the movement of the machinery of government, damnation and defeat will be our lot.

In his budget speech the Minister of Finance (Mr. Ralston) has proposed the most drastic taxation for the current year the people of Canada have ever been called upon to bear; taxation which it is estimated will produce a revenue of $760,000,000. The additional taxes will cause a certain amount of hardship in many homes. In my opinion the increased income tax will not bear equally on all Canadians. Those in the lower brackets will have the greatest sacrifice to make. These taxes will result also in a certain amount of unemployment among certain classes of people. Just how much unemployment they will create it is of course impossible to tell. They will result also in a certain reduced purchasing power and in the lowering of our standards of living.

Most of us will have to curtail. Most of us have found it pretty hard as things have been during recent years to pay our household expenses, to educate our children, to meet the interest on the mortgages on our home, to pay excessive municipal taxes on income and real estate and to pay our insurance policies; in short, to keep our heads above water financially.

I do not wish to be understood as complaining or finding serious fault with the budget brought down by the Minister of Finance. We must make these financial sacrifices and other sacrifices which will be much greater. We must make them with good spirit and with the knowledge, as the minister said, that every time we pay our tax we know we are dealing a smashing blow at Hitler.

Money must be raised to carry on the war, and the war must be carried on until Hitler and the evils he represents are eliminated from this earth. Victory at all costs is preferable to defeat, when all will be lost.

If the income tax is found to bear unfairly upon certain classes, that inequality can be corrected when the next war budget is brought down. I think we must face the fact that there will be further war budgets, that there will be higher taxes and that greater sacrifices will have to be made. There will be more government control and more regimentation. We must face the situation. We must realize also that the ideals of a more abundant life with higher standards of living, with more luxuries and with greater ease must be set aside. In their stead we must have new ideals of service, of work, of thrift and of sacrifice; we must face a harder, simpler and a tougher way of life.

I have referred to the importance of this government cooperating in every possible way with the governments of Great Britain and that part of France which proposes to continue to carry on the war. I have referred also to the importance of making immediate plans and preparations to defend this country in case it is invaded. But there is one thing more that this government must do. It must provide efficient leadership in these critical times if the confidence of the people is to be maintained and victory achieved.

The people of this country look to this government for such leadership. They look to it for vigorous and courageous action; they look to it for outspoken and plain speech. It may be all very well in times of peace for a government to say that it is the servant of the people, although I always thought that was only a half truth, but in times of war the government of a country must be the leader of the people in the literal sense of the word. It must take a firm grasp on the situation and it must tell the Canadian people what they are to do and see that its orders and directions are carried out. Most of our people are only too anxious to be told what to do and how they can be of the greatest assistance in bringing this war to a successful conclusion.

In my opinion greater emphasis should be placed upon the glory of war, upon the glory and virtue of courage, upon the glory and virtue of duty, upon the glory and virtue of tenacity and upon the glory and virtue of sacrifice. To all men upon this earth death cometh sooner or later. How can they do better than to face the dangers they are called upon to face in this war in the defence of their families and in the defence of freedom, and in order to conquer brute force, tyranny and enslavement? In my opinion there should be more bands, more martial music, more parades and more flag-flying. Our soldiers should not be allowed to depart in the dark as if they were under a cloud.

In my judgment the time has come when this government should cease to be a party government. In the minds of the people a party government is associated with party politics, with political favouritism and political patronage. The carrying on of a war is not the kind of job that a party government should undertake; it is too big. If confidence is to be maintained, if the utmost effort is to be put forth, we should have a government in which all political parties are represented.

The leader of the opposition (Mr. Hanson) asked on the floor of this house that a national government be formed; but a few days ago, in reply to that request, the Prime Minister (Mr. Mackenzie King) said that a party which had 183 members out of a total membership of 245 might pretty well claim to be a national government in the truest sense of the word. He overlooked the fact

that although the elections were held only a few months ago, since then events of the greatest importance have happened. The war situation has completely changed; the map of Europe has been almost completely changed, and we are living in a different and far more perilous time. However much I regret the decision, the decision was his, and the responsibility rests upon his shoulders.

What else did he say at that time? He said that when he took additional gentlemen into his government to strengthen it, "one of the first qualifications which I shall require of them is loyalty to myself, and not a disposition to stab the leader of the party in the breast when he is trying to serve his country to the best of his ability in a time of war". When the Prime Minister said that he did not want to take into his government any gentleman who would stab him in the breast, I know that he was speaking figuratively and that he did not want to be stabbed politically. But when he made that statement, Mr. Speaker, it seemed to me that he had uppermost in his mind political considerations, and not those considerations which are of most vital importance to Canada at this time of crisis.

This, Mr. Speaker, is a time for iron sacrifice of body, will and soul, and the people of this country, in the knowledge that we strove for peace and that we fight for the right, are prepared to make these sacrifices, but they look to the government for more energetic leadership and greater results.

Mr. J. R. MacNICOL: (Davenport): Mr. Speaker, because of the defeatist propaganda being so ardently spread by the nazis, and respread in the United States, whence it rolls over the border into Canada, it is not my intention to discuss the taxation proposals of the budget, but I will confine my remarks to discussing two propositions to help Canada prosecute the war: (a) a method by which the government can find from thirty to sixty million dollars of new money for use in the production of munitions; and (b) a method of sending back to Germany propaganda in the only language they can understand—war materials, shells, bombs, tanks, guns and munitions made out of good Canadian nickelized steel.

As I cannot proceed with the discussion of either one of these propositions in the few minutes remaining before six o'clock, Mr. Speaker, I move the adjournment of the debate.

Motion agreed to and debate adjourned.

On motion of Mr. Ralston the house adjourned at 5.55 p.m. until Tuesday, July 2.

95826—79½

Tuesday, July 2, 1940

The house met at three o'clock.

DEFENCE OF CANADA REGULATIONS

Second report of special committee to consider and review the defence of Canada regulations.—Mr. Ilsley.

PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 68, for the relief of Kathleen Irene Mae Stephens Morrissey.—Mr. Macdonald (Brantford City).

Bill No. 69, for the relief of Dorothea Frances Poyser MacDermid.—Mr. Macdonald

Bill No. 70, for the relief of of Sheila Alice (Brantford City).
Dolly Young Dodge.—Mr. Factor.

Bill No. 71, for the relief of Margaret Louise MacDonald Russell.—Mr. Hill.

Bill No. 72, for the relief of Edward James Holt.—Mr. Factor.

On division.

SUBVERSIVE ACTIVITIES

GERMAN SHORT-WAVE BROADCASTS TO QUEBEC—INTERNMENT OF ADRIEN ARCAND

On the orders of the day:

Hon. H. A. BRUCE (Parkdale): I should like to direct a question to the Minister of Justice (Mr. Lapointe) based upon an editorial prominently displayed on the front page of the weekly journal *Le Jour,* in its issue of June 29. *Le Jour* is edited by Jean Charles Harvey, probably the most widely known of French Canadian journalists and a man who is universally respected. To save time I shall give only the English translation:

> Sunday evening the German radio, in a short-wave broadcast directed especially to French Canada, informed Quebec that Hitler offered it full and complete independence. We have only to rebel against Great Britain, and then we shall have our Laurentia. There will be a customs union with nazi Europe; and it was announced that our first gauleiter would be Adrien Arcand.
>
> This is a damning charge against this man, and if we had blood in our veins instead of turnip juice our little fuehrer would not be facing such legal procedure as he is at the moment; he would be up before a military court.
>
> Has he not time and again talked of standing so and so against a wall, when he became dictator? The writer of these lines, for one, has no illusions about the fate that would await him if the suave Adrien succeeded in a blitzkrieg here.

I should like to ask the Minister of Justice four questions, of which I have given him notice. First, has he seen the editorial quoted?

Second, has he made inquiries with regard to the alleged broadcast and has he any information to give the house in connection therewith? Third, has he information that Adrien Arcand has made threats to shoot French-Canadian leaders loyal to the British connection if his plans to become fuehrer under the auspices of Hitler succeeded? Fourth, in view of the close connection between Arcand and the Hitler regime, as revealed by this broadcast, does the minister deem the measures taken to place Arcand under restraint to be adequate?

Right Hon. ERNEST LAPOINTE (Minister of Justice): I am sorry my hon. friend's notice of these questions came to me only as I was coming to the chamber. I have not read the editorial, nor have I heard of this broadcast. Of course I am going to investigate, but I may say that I have heard of the threats made by the gentleman mentioned, because I was the principal person who was threatened all the time. Perhaps it may suffice to add that the internment of Arcand and the others associated with him does not mean that this is the only penalty they are going to incur. They are interned in order that we may know that they are safely in custody, that they cannot get out on bail or because of any technicality. They are being held to await any further proceedings or prosecutions to which they may be liable under the criminal code or any other statute, and I can assure my hon. friend that the matter is being fully considered at this time.

PASSPORTS AND VISAS

ESTABLISHMENT OF BRANCH OFFICES—SUPPLYING OF APPLICATION FORMS

On the orders of the day:

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, I should like to direct a question to the Prime Minister (Mr. Mackenzie King). British Columbia papers arriving in Ottawa this past week-end, and letters from persons intending to visit the United States, indicate that there is fear of considerable delay in the obtaining of passports. Could the Prime Minister make a statement as to what arrangements are being made to facilitate the issuing of passports, and to obviate undue delays?

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, two or three questions have been asked with respect to passports, and I have in my hand answers to most of them, including the one just asked by the hon. member for Vancouver East (Mr. MacInnis).

On June 26 the hon. member for Kootenay West (Mr. Esling) inquired as to what steps might be taken to facilitate the issue of passport visas in south-eastern British Columbia. I am glad to be able to inform the hon. member that the United States authorities have decided to establish a consular representative at Trail, to facilitate the granting of visas to residents of Eastern British Columbia.

The hon. member for Yukon (Mr. Black) asked concerning the issue of passport visas to persons wishing to travel by boat from the Yukon to other parts of Canada. In reply I would say that unfortunately the situation in the Yukon is somewhat different from that prevailing in other parts of Canada. The situation has been brought to the attention of United States authorities. All I can say at the moment is that we hope a ruling may shortly be obtained which will facilitate the moving of passengers from the Yukon to British Columbia.

In reply to the question of the hon. member for Vancouver East, a question which might be extended to apply to other localities, I would say that the problem of opening additional passport offices has been very much under consideration. A branch office was opened at Windsor on June 29 under the charge of the assistant passport officer. There is every desire to meet the convenience of the public, but it will be recalled that the final decision on the part of the United States authorities to impose passport and visa requirements was not communicated to us until a fortnight ago. It is essential, in order to avoid fraud and mistakes, that the work of issuing passports be under the supervision of an experienced staff.

It might be pointed out that with air mail, an application mailed from Vancouver, for example, to-day, will be in the passport office in Ottawa to-morrow. The question of the feasibility and desirability of establishing additional temporary branch offices has been receiving consideration, and I hope shortly to be in a position to announce a definite decision. I am afraid that to-day I cannot go farther than that.

Mr. HOMUTH: Would it be convenient to open passport offices in each provincial capital? I suggest that because the work here is going to be tremendously heavy.

Mr. MACKENZIE KING: I shall be glad to discuss that matter with the officials of the passport office.

Hon. R. B. HANSON (Leader of the Opposition): There is a situation at the border between New Brunswick and Maine which requires immediate attention. Two thousand persons in the towns of St. Stephen and Milltown, New Brunswick, are clamouring

for passports, and there is not even an application form in that part of the country. I had about five hundred application forms sent down by express, but even then it will be some days before those passports are issued. I have made an appeal to the passport officer and to the Prime Minister's office to send a special officer to that point. I realize it is necessary to have an experienced officer, but surely there must be some such person who could be sent down to that point, where, as I have said, two thousand persons are being held up in their daily intercourse with the neighbouring towns of Calais and Milltown, Maine. Action is imperative, and while I do not wish to bother the minister about it I have called the matter to the attention of his department. I hope he will have something done at that point.

Mr. MACKENZIE KING: I saw the hon. member's letter, and I know the Under-Secretary of State for External Affairs is making every effort to meet the request made therein. Of course questions in connection with the issue of passports are coming to us from every side. They are reaching us from one end of the continent to the other, and it has been very difficult to get the necessary forms and general equipment in readiness as rapidly as we might have wished.

BRITISH CHILDREN

QUESTION RESPECTING "CALLING CANADA" ADVERTISEMENT IN NEWSPAPERS

On the orders of the day:

Mr. A. R. ADAMSON (York West): I should like to address a question to the Minister of Justice (Mr. Lapointe): In view of his statement to the house on June 27 with regard to "Calling Canada," what if any action has been taken; or does he propose to take action, and if so under what act or regulation? I am sorry I had not an opportunity to give my right hon. friend notice of the question before the house met.

Right Hon. ERNEST LAPOINTE (Minister of Justice): This inquiry comes just after my having received a telegram signed by a lady and two gentlemen, saying:

> You said that you were going to investigate "Calling Canada." Here is the number of our room at the Chateau Laurier. Please investigate.

It is not my purpose to investigate those highly estimable ladies and gentlemen. But what I said was that I would submit the advertisement in question to my officers, in order to ascertain whether it comes under some of the regulations respecting the Defence of Canada; that is all.

Mr. HANSON (York-Sunbury): Be careful that you do not make martyrs of them.

Mr. LAPOINTE (Quebec East): I won't.

NATIONAL DEFENCE

PROPOSED USE OF GAS INSTEAD OF COAL IN BUILDINGS ERECTED IN CALGARY FOR WAR PURPOSES

On the orders of the day:

Mr. C. E. JOHNSTON (Bow River): Mr. Speaker, I have a question which I believe might be directed to the Minister of Munitions and Supply (Mr. Howe). I received a telegram from the vice-president of district 18, United Mine Workers of America. They say government contracts have been let for war buildings in the Calgary area in which the original specifications called for mechanical firemen for coal consumption. The contract required that mechanical firemen be installed. Since then I understand specifications for the contract have been changed, and the order now is to instal machines for gas instead of coal consumption. The United Mine Workers of America are very much concerned, and properly so, because of the effect it will have in the mining areas of Alberta, particularly around Drumheller, if the new installations require gas instead of coal. Will the minister please tell the house what has been done, and whether or not the specifications in this particular have been changed?

Hon. C. D. HOWE (Minister of Munitions and Supply): The work in question was ordered by the Department of Munitions and Supply on the specifications of the Department of National Defence for Air, in compliance with the usual practice. I have no knowledge as to these particular specifications. In any event it seems to me that as, by either system, local products are being used, little criticism can be made. It then becomes a matter of the judgment of the Department of National Defence for Air as to which is the more efficient installation.

RATES PAYABLE BY ENLISTED MEN AND WOMEN TRAVELLING BY TRAIN

On the orders of the day:

Hon. C. G. POWER (Minister of National Defence for Air): On Friday last the hon. member for Peterborough West (Mr. Fraser) asked if anything is being done "to fix special and reasonable rates for enlisted men and women travelling by train." The reply furnished by the officer of the department is as follows:

> Personnel of the Canadian Active Service Force may obtain through their commanding officers special forms which will entitle them to

obtain round trip tickets on the railways for the price of a one-way fare. Special week-end rates, when in effect, are available to soldiers as well as civilian travellers, and may be obtained upon application.

ROYAL CANADIAN AIR FORCE

STATEMENT AS TO PRESENT POSITION WITH RESPECT TO RECRUITING

Hon. C. G. POWER (Minister of National Defence for Air): About a week ago the hon. member for Kootenay West (Mr. Esling) asked for some information with respect to recruiting in the air force. I have here a statement explaining the procedure with respect to recruiting, and I am prepared either to read it or to ask permission that it be placed on *Hansard*.

Some hon. MEMBERS: Read it.

Mr. POWER: Very well; I shall do so.

I should like to take this opportunity to give a brief account of the present position of recruiting for the Royal Canadian Air Force. As the house knows, the requirements of the Royal Canadian Air Force for recruits can be divided broadly into two classes. First, there are the air crews, that is, those who actually will fly either as pilots, air gunners or observers, and, second, there is the maintenance personnel, both trained and untrained, using the word "maintenance" in its broadest sense as including all those whose duties are necessary to the operation of active service squadrons or training establishments. Both of these groups require training, the extent of which depends upon the qualifications necessary to perform the task to which they will be assigned. The problem of recruiting is, therefore, in large part a training problem and the rate at which recruiting can properly proceed is conditioned by the rate at which the capacity of existing training facilities can be enlarged and extended. It is obvious that recruits ought not to be called up and withdrawn from their civil occupations until we are in a position to train them to perform their duties in accordance with the plans that have been made. It is simply not possible to call them all up at once.

Nevertheless, the house will recall that, in conformity with our determination to accelerate our training effort in every way, we determined some time ago to enlist immediately 5,000 recruits who otherwise would not have been called up until some future date. I am happy to report that these enlistments have been proceeding at the rate of about 1,000 per week—a rate which, under the circumstances, must be regarded as satisfactory. Some idea of the amount of work involved can be gained from the fact that since September 15 last over 115,000 men have requested and obtained information from us relative to enlistment in the Royal Canadian Air Force. This is in addition to a great many informal inquiries of which no record is kept. Of course, not all who receive papers complete them and actually offer their services, but a very large number have done so and over 26,000 have passed the medical examination and been trade tested. Of these over 13,000 officers and men have been already enlisted and, as I have said, the balance are being called up as rapidly as circumstances permit. Of the 13,000 who have not been enlisted, 1,433 have made application to be trained as crew men; 7,962 desire to be trained tradesmen, while 4,000 are unskilled. With respect to the 4,000 who are unskilled, they may at any time join any other force or unit of the expeditionary forces. However, we would like to keep on the strength those men who provide good material for air or ground crews. A reserve of 1,400 is not too large for our requirements of air crew men. As a matter of fact, it is a rather low reserve to have, considering the number of future pilots, gunners and observers who will be needed very shortly for training.

So far as the selection of individual recruits is concerned, this is determined by priority of application except to the extent that there may be a special need for those with special qualifications. In the nature of things some trades are needed in greater numbers than others and thus it often happens that of two candidates volunteering at the same time, one will be called before the other. This is sometimes rather hard for the individual to understand, but the house, I am sure, will realize why it must be so. The procedure on application for enlistment is that every applicant is interviewed personally with a view to ascertaining in a general way whether he posseses the educational and other qualifications necessary. Once this is done, the applicant is assisted in filling out an application form and advised as to how he should obtain certain necessary documents, such as proof of age and education. Arrangements are then made for the applicant to present these documents and be medically examined. Once these requirements are met there is nothing further to be done until we are in a position to take him on our strength for training and he is called up accordingly.

It must be pointed out that by submitting his application and being medically examined, a recruit in no sense commits himself or prevents himself from enlisting in some other branch of the service. Until actually called

to report for duty, those who have offered their services are perfectly free to withdraw their applications,—

Mr. HANSON (York-Sunbury): They do not want to do that; they want to go into the air force.

Mr. POWER: I quite realize that, but the request of the hon. member for Kootenay West (Mr. Esling), was that these men be released. I have just stated that in so far as the unskilled men are concerned, there is no objection on our part to their being released. In so far as the others are concerned, we would prefer to have them wait until we are ready to call them up. But even then we have no strings on them in any way. Until actually called to report for duty, those who have offered their services are perfectly free to withdraw their application, and in all cases in which we think it unlikely their services will be required for some time, our officers try to say so frankly in order to avoid any subsequent misunderstanding or disappointment. Nevertheless, when recruiting is proceeding so rapidly and on such a large scale, individual cases of misunderstanding and disappointment are bound to arise. I should like the house to believe that we are doing everything we can to reduce such incidents to a minimum.

One of the commonest misunderstandings has arisen because of the belief that many of those who served in the Royal Air Force in the last war could simply and easily be trained to serve again. This whole problem of the use that can be made of ex-service pilots and observers is naturally one to which we have given the most careful consideration, and I am happy to be able to say that appropriate employment in the Royal Canadian Air Force has been found for over 250 officers who saw service in the air force during the last war. Nevertheless, I am afraid we must accept the view that so far as actual service in the air is concerned, this war, like the last, is a young man's war. The spirit in many cases is as eager and willing as ever, and is one of which we all must feel proud, but, as is the case with all of us, the intervening years have weakened the flesh. Except for those ex-service men who may be described as fully qualified commercial pilots—and the number of those available is, unfortunately, small—I am afraid we must find places for most of them that do not involve the physical and nervous strain incidental to flying high-powered modern aircraft under service conditions. Such places can and will be found for a great many in administrative positions, and for these positions those who served as officers in the air force during the last war are naturally given a preference. Here again it is not possible to take every one at once, but more openings are constantly occurring as our establishments increase in number.

I trust the foregoing information will assist the house to understand that we are trying to carry on recruiting and enlistment for the Royal Canadian Air Force as rapidly as possible and, at the same time, with the maximum of courtesy and consideration for the many individuals whose patriotic desire to help has led them to offer their services. We have recruiting centres in the principal cities throughout the country and, in addition, mobile recruiting units intended to serve those in the more remote areas. The officers in charge of these activities have been most carefully selected with an eye to their special qualifications for the arduous and exacting duties they have to perform. We are keenly aware of the special qualities our young men possess and that fit them peculiarly to serve to advantage in our air forces, and we are determined to do everything in our power to make sure that these special qualities are employed to the fullest possible extent.

Mr. DUPUIS: Is there anything in the regulations to prevent a woman from enlisting in the Royal Canadian Air Force?

Mr. POWER: I should think so, yes.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISITER OF FINANCE

The house resumed from Friday, June 28, consideration of the motion of Hon. J. L. Ralston (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Coldwell.

Hon. R. B. HANSON (York-Sunbury): Mr. Speaker, I am greatly indebted to my colleague, the hon. member for Davenport (Mr. MacNicol), for having given way to me this afternoon. I know he had, as always, a most distinguished contribution to make to this debate, and I trust that an opportunity will be given him at a later stage in these proceedings to deliver the message which he had for us this afternoon. Again I desire to thank him for his courtesy.

When I heard the Minister of Finance (Mr. Ralston) deliver his annual budget statement on June 24 I confess that I did so with very mixed feelings. I realized then, as I do now, and as I am sure we all do, that this country is really at war. I have from the very beginning of this titanic struggle realized and visualized a war of long duration. I do not

claim any superior vision, neither have I any special information, but having read all the relevant material on the subject which I could obtain, and having pondered deeply the whole position, especially since the failure of Munich, I came to the conclusion that this war, like the great war of 1914-18, would be of long duration, and that as a result a long-term point of view with reference to finance was the proper one to take.

In addition I have always held the opinion that Canada, as an integral part of the British empire, as one of the allies and a *de jure* as well as a *de facto* belligerent, should mobilize and use her man-power and her material resources in such a way as to give the maximum of effort to the allied cause. In holding this opinion I believe I am in accord with the views of all true loyal British subjects in this dominion, and in that regard I find my views also in accord with those which the minister expressed in his budget statement of the 24th of June.

I am aware, of course, that there are those in this country who do not share these views in their entirety. I am, however, inclined to think that those holding views at variance with my own in this regard have materially altered their own point of view, and this has been brought about by the force and trend of events as they have developed during the past six or seven weeks.

In one respect only do we differ in any substantial degree, and that is with respect to the method of marshalling our man-power for service overseas. Here again the trend of events has intervened and in a degree altered our position. It may well be that because of the cessation of fighting in the continental theatre of war, man-power overseas is not so pressing a problem as at first appeared. But because it may not be so yet, I suggest that our duty to assist with mechanical equipment such as planes, tanks and guns, with munitions and with foodstuffs and material supplies, is all the more pressing. In other words we should be utilizing our every resource to assist the mother country with all those material things of which she is in such dire need at the present critical juncture.

There is, too, the problem of the defence of Canada. On the 21st of June this parliament passed the National Resources Mobilization Act, which in addition to the legislation already on the statute books gives to the government of this country the most dictatorial powers ever conferred by this parliament on any executive, so that there is no longer any excuse on the part of the government for refusal or neglect to do anything and everything humanly possible to defend this country and to bring the maximum of support and assistance to the mother country. Apart from the question of national leadership, the only consideration remaining to round out the whole orbit of defence and assistance lies in the realm of finance.

It is axiomatic to say that the right arm of a nation in time of war is its man-power and the necessary and essential equipment thereof for war purposes.

It follows without doubt that the next most important element in marshalling the fighting strength of the country for any and every purpose is finance. Our problem at this time is to marshal our financial resources in the wisest and best manner possible so as to achieve the maximum of results, and if possible at the same time preserve our corporate existence, so that after the struggle is over and after victory has crowned our efforts we may proceed not only to bind up the wounds of the nation but also to rebuild what may be a shattered structure.

This problem cannot be achieved in one budget, but the government, and especially the Minister of Finance, should have as long a vision as possible and chart out a course for the nation, looking not only to the immediate necessities for the day and hour but also to the time when we shall, if we continue to exist as a nation, have to prepare for the future or after-war period.

I quite agree with the minister that we must pay for the present peril. It will not matter much what becomes of our national wealth if we lose this war, but I do suggest that we do not approach in any defeatist spirit the consideration of the financial problems now confronting us. Rather should we approach their consideration on the theory that we shall win this war, as we must, and I shall discuss the problem in that spirit and with the hope that I may make some contribution of a constructive character. One thing is certain—the Canadian people will not withhold from the government the money necessary to win this war.

There may be differences of opinion, honest differences, as to how the money shall be raised, but I am as certain as I ever was of anything in my whole life that the Canadian people will give of their treasure as gladly and as wholeheartedly as our gallant fellow-citizens gave their lives in the last great struggle and as I believe the present generation are prepared to give theirs for the defence of their loved ones, their homes, their country, this Canada of ours, and the motherland in this struggle.

I was not privileged to be a member of this house in September last when the Minister of

National Revenue (Mr. Ilsley) at that time delivered his financial proposals, but I read and have re-read his statement with great care. In that speech he indicated that the government proposed:

1. A policy of pay-as-you-go, as far as possible and practicable;
2. A policy of borrowing, preferably on short-term obligations.
3. Inflation was definitely taboo.

Generally speaking, I am in agreement with the principles enunciated. I am perhaps not so pronounced in my views against inflation as I was some years ago. I believe that a reasonably limited amount of inflation will, on a given occasion, help to start the wheels of industry and the interchange of currency. That may sound like heterodoxy to some of my sound-money and more orthodox friends, but the difficulty is to know what is a reasonable limitation. If such a limitation is exceeded, the result may be disastrous. One immediate result of unlimited inflation is a rise in prices. This occurs always before a rise in wages, and as prices increase, wages lag behind. A vicious circle is established and sooner or later deflation, even collapse, may come.

So that I am not chiding the minister for not having utilized a limited degree of inflation. Its exclusion, however, leaves us, according to the tenets of the minister, only two sources from which we may obtain the necessary funds to carry on our war effort, namely, taxation and borrowing. And these are the two methods which the minister has invoked. Let us examine the government's proposals.

It seems to me that with respect to the taxation proposals the minister has proceeded for the most part, and speaking generally, upon lines which heretofore have been generally accepted and have proved useful for the purpose to be accomplished. There is no new radical departure from accepted principles of taxation, with some certain rather unimportant exceptions. This shows caution, and from that standpoint is to be commended. Generally speaking, it seems to me that our taxation proposals at this time should be based upon two principles: (1) Ability to pay; and (2) equality of sacrifice.

Let us deal first with ability to pay. The minister for the most part has utilized this principle as far as is practicable. His whole hypothesis as to quantum appears to me to be based upon the theory that the national income for the calendar year 1939 approximated $3,800,000,000 and for the fiscal year 1940-41 will approximate $4,500,000,000. I do not know upon what scientific and mathematical data the minister bases his calculation, but I very gravely doubt whether the national income in 1939 approached $3,800,000,000, and if I am correct in that doubt, then I feel very certain that our national income for 1940-41 will fall far short of $4,500,000,000.

I say this for various reasons. While Canada is in a substantial degree an industrial country, and many of us have been striving for years to increase her industrial activities and thus increase the size of her payroll, yet primarily Canada is an agricultural country, and the sum total of the value of her agricultural products exceeds in sum total the value of her mining, fishing and industrial production. It that be so, and with a very large wheat carryover and a large wheat crop in immediate prospect, and no market in sight beyond the domestic requirements of Canada and those of Britain, it would appear, to me at all events, that any large immediate cash return such as could be justifiably included in the category of national income is rather remote, and a substantial allowance on that account will have to be made from this estimate of $4,500,000,000 of national income.

While this wheat situation is the largest of the marketing problems, it is by no means the only one. What about bacon? I understand that a substantial surplus is being piled up each week and that after October first the surplus will grow to enormous proportions. It has even been suggested to me that the price of hogs will fall as low as five cents. I do not wish to be considered an alarmist, but I do at all events believe in being realistic, and I have been obliged all my life to face facts as they are, not as I would wish them to be. This bacon situation sits very securely on the government's own doorstep. The much-vaunted Canada-United States trade agreement and the operations under it on the part of certain importers are directly responsible for the situation now confronting the Canadian hog producer. He is bound to lose money, and next year unless conditions are remedied he will not produce this commodity.

Then there is the apple crop, the situation in regard to which is well known. Just recently we have been told that we cannot find a market for our canned salmon and our canned lobsters. And what about the New Brunswick potato crop! There is a market for seed potatoes in Cuba, but just at present that market is more or less cornered by the activities of the minister of lands and mines of New Brunswick, who, by some means unknown to me, apparently has obtained control of that market for himself. There is opportunity, however, for the government to do something in regard to this matter in Cuba, in Central

America, and in South America, and I urge the Minister of Trade and Commerce (Mr. MacKinnon) to get busy at once with respect to this matter.

All these considerations lead me to conclude that the national income will not approach the figure named by the minister, notwithstanding huge government spending on war effort. That, I submit, is not true national income. It is rather the reverse, and I shall have something to say about it later on. My own view is that it will not exceed four billions, and if so the results from the new taxation proposals will not yield as much in new money for the treasury as the minister anticipates, and we shall not be able to implement the pledge of "pay as you go" to the degree indicated.

I should like to point out to the house and the country certain things with respect to the national income and its effect on the standard of living in Canada. Assuming that our national income is $3,800,000,000 and will go to $4,000,000,000 in 1941, and assuming that the total dominion outlay, including both peace and war expenditures, amounts to $1,200,000,000, provincial and municipal expenditure aggregate about $600,000,000, and we have therefore a great spending programme of $1,800,000,000. Now, on the basis of $4,000,000,000 national income this is 45 per cent of the total national income being spent for public purposes. This leaves us just $2,200,000,000 or about $200 per capita for every man, woman and child in Canada with which to buy food, clothing and household goods, to pay rent, medical and similar services and all the other things human beings require. I suggest to the house and the minister that this represents a very low standard of living. It cannot be helped by further soaking the rich, or by any other unorthodox finance. The only way it can be helped is for the government to cut down its ordinary expenditure and by provincial governments and municipalities all determining to take less money from the taxpayers. This must be done. Raising the national income by governmental expenditure will help, but it will be a long time before it seeps through to business and comes back in some degree in the form of taxation. The only fertile field for immediate income is to be found in the provincial arena and in the municipalities. Certainly there must be no increase in the levy by either authority.

As I view it, there are two difficulties in the government's position. One is that the budget is based, as the government's financial policy has been based for some years, on the assumption that the volume of business can be stimulated by government expenditures and that this can be very largely covered by the resulting increased taxation. The other difficulty I have already alluded to, namely, the government has not yet by any means been active in reducing non-war expenditure.

With respect to the government's first difficulty based on its past financial policy, having regard to its own failure to undertake large war expenditures at an earlier date, it now finds itself faced with the necessity of undertaking a programme of this character just prior to bringing down the budget. The result has been that the budget announcement will have a very serious effect on ordinary business before the stimulating effect of war expenditures is felt, but even their accepted theory of public expenditures to "prime the pump" requires that the expenditures should be made first and the resulting increase of possible taxation obtained later. For all effective purposes, the government has undertaken to obtain the taxation first and make the stimulating expenditures later, but I suggest that it will take months for war expenditures to filter down through the business structure, while the heavy taxation announced in the budget has led a great proportion of the population to take immediate steps for reducing expenditures. This is the only opportunity left to this government to do anything at all effective to relieve the situation. It occurs to me that even political expediency should dictate a revision of policy in this respect. Many new thousands of direct taxpayers created by the budget, as well as all those older taxpayers to whom their income tax was not a matter of vital importance, are now thoroughly alive to the fact, long concealed from or ignored by them, that the people pay for governmental expenditures.

Let me reaffirm that the people will not object to paying for the war, but every one of them who sees a single case of an unnecessary employee, or a wasteful expenditure for non-war purposes, or even an expenditure which could be postponed, is certain to feel vigorous resentment. At the moment I have in mind the failure of the government to halt the work on the Montreal terminal. It did halt construction work on certain public buildings, such as new postal stations in Quebec and Toronto, the supreme court building in Ottawa, and others of a similar kind, but the Montreal terminal seems to be sacrosanct. It will cost this country $12,000,000 in war time and it may even run to $15,000,000, money which can ill be afforded at this time. To me its continuation at this time is a shocking thing.

There are four good features in this budget:

1. Pay as you go, so far as possible.

2. Restrictions upon civilian buying, as indicated by the huge taxes on luxury motor cars.

3. Diversion of dollars away from the United States.

4. Avoidance of inflation.

These principles incorporated in the budget indicate, to me at all events, that the minister in these aspects has been soundly advised by the two very able men associated with him. But to say that this budget represents national sacrifice, or that there is equality of sacrifice, I suggest to him is far from the truth. There is not one single new tax which is designed to bear, however lightly, on the entire population. There is nothing comparable to the match tax imposed during the last war—we have returned to that position, of course—or to the sugar tax, which was imposed as a revenue measure but designed to be a national sacrifice paid by everyone in a time of extreme economic warfare. Per contra, there are no nuisance taxes, for which I think we should all be grateful. However, national sacrifice, as I interpret the term, means sacrifice by all the people of the nation according to their respective abilities to make and sustain sacrifices. In fact all the national sacrifice that is made under this budget is concentrated upon a mere handful of the population, not on the whole population, as it should be.

What is the position? According to a chart prepared and published in the "National Revenue Review" for May, 1940, under the caption "Income Tax and Those Who Pay It," there were for the period 1938-39 individual taxpayers totalling 264,804 who paid a total of $46,937,205. I have tabulated the different classes, as follows:

Income	Number paying	Total paid
Under $2,000	119,346	$1,269,724
$ 2,000 to $ 3,000	63,572	1,324,663
$ 3,000 to $ 4,000	34,392	1,462,000
$ 4,000 to $ 5,000	15,902	1,296,625
$ 5,000 to $ 6,000	8,627	1,234,400
$ 6,000 to $ 7,000	5,563	1,260,057
$ 7,000 to $ 8,000	3,674	1,144,597
$ 8,000 to $ 9,000	2,612	1,107,188
$ 9,000 to $10,000	1,986	1,059,919
$10,000 to $15,000	4,687	4,247,516
$15,000 to $20,000	1,775	3,210,835
$20,000 to $25,000	816	2,551,849
$25,000 to $30,000	469	2,132,006
$30,000 to $35,000	353	2,156,943
$35,000 to $40,000	234	1,732,270
$40,000 to $45,000	182	1,656,133
$45,000 to $50,000	157	1,662,512

Those in receipt of taxable income of over $50,000 numbered only 457, or ·17 of one per cent of the total number of taxpayers, but contributed $17,289,365, an average of $37,882 each, or 36·17 per cent of the total collected. On the other hand those in the class under $2,000 represent 45 per cent of the total taxpayers, and they contributed 2·66 per cent of the total amount paid by individuals. I am sorry to have wearied the house with these figures, but I think they ought to be put on record for the purpose of comparison with what these people will pay under this budget. Now under this budget all the sacrificial taxation is being concentrated upon a handful of people in the lower middle bracket. A total of about 22,000 individual taxpayers in the brackets between $6,000 and $50,000 are being asked to contribute next year a total of over $50,000,000 in addition to the sum of $22,254,000 or thereabouts which they are now paying. And this takes no account of their contributions under the national defence tax, which of course will be substantial. Thus these 22,000 odd taxpayers will pay nearly four times what they are now paying. Is there anywhere else in this budget any sacrifice comparable with the tax imposed upon this comparatively small element in our population?

These people will pay; make no mistake about that. They will of course have to adjust themselves to new conditions of life to meet these new burdens laid upon them, while the great mass of the people will be able to pursue their normal manner of living with little or no interruption. These people are not complaining, and I am not complaining on their behalf; I am just pointing out what I believe to be the true position.

I suggest further to the minister that this budget falls hardest upon those already hardest hit by the war. With respect to those who are actually benefiting in their standard of living from the war and war expenditures, the budget makes little demand, except through the corporation tax. I would have wished that the government had placed some imposts which would have had a psychological effect upon our people, making them realize more and more that Canada is at war. That is what I meant when on June 17 and again the next day I asked the Prime Minister to declare a state of national emergency in Canada. A sacrificial tax, which would affect even the humblest in Canada, would have had a tremendous effect in awakening our people. Others realize the necessity for such an awakening. Only two Sundays ago a great ecclesiastical personage in Canada sent out a letter to be read in all the churches under his charge, and it opened with these pregnant words:

> At long last Canadians have been awakened to the imminent dangers which threaten our own country no less than Great Britain.

That is the sort of thing I mean.

It is not my specific duty to suggest detailed measures. Rather should I indicate principles which I think should be followed; but I cannot refrain from inquiring why some additional impost was not placed on spirituous liquors. It was done under the last budget in England. If I were consulting my own views and principles alone—and I advance this suggestion with a feeling of temerity—I would do away with the sale and consumption of spirituous liquors for the duration of the war as a purely economic measure. The drink bill of this country is enormous, at least $200,000,000 per annum, if not more. I realize, however, that this may not be feasible, for reasons upon which I shall not enlarge.

Why was not a tax of say one cent a gallon placed on all gasoline sold in Canada? They have such a federal tax in the United States, and, mark you, that tax was imposed in addition to, not in substitution for, a similar state tax theretofore imposed in every state of the union, and as a peace-time measure. I suggest to the minister that such a tax was fully expected in this country. Why should there not have been a further elimination of exemptions under the sales tax, in order to raise more money? When I was at home over the weekend a wholesale grocer called me up and expressed great surprise that there had not been some further elimination of these exemptions. I asked what he had in mind and he mentioned condensed milk, on which not a cent of sales tax is collected, and of which huge quantities are sold in this country. I know the answer will be that this would come out of the farmers, but I do not believe it would. I believe the consumer would pay it just as he pays the tax in every other instance.

I now desire to refer briefly to the excess profits tax, which I think will prove to be an important revenue producer. I think the minister has acted wisely in eliminating option A as provided for in last year's act. At best that was merely a skeleton act. I made some examination of it for a client last October and in fact came to Ottawa for the purpose of interviewing the authorities and obtaining a clarification of certain points in relation thereto. To my surprise I was informed that study subsequent to the enactment had convinced the officers that the tax was inequitable and indeed unworkable, and I came away with the distinct impression that a wholly new act would be evolved this session. It was a classic example of hasty, ill-digested legislation. In effect the minister admitted this in his statement. He said one main feature which appeared to be undesirable was the right of the taxpayer to choose between two options; that it had been found that many old firms would pay little or no tax while new firms in business since the war, or those operating in a depressed industry, or undergoing rapid expansion, would be subject to unwarranted discrimination. I agree with that analysis of the situation. Therefore, I understand, a new measure is to be submitted. It is agreed that it will be much more drastic. I understand that after I left the house on Friday afternoon my friends to the left moved an amendment expressing want of confidence in the government because this tax had not been made one hundred per cent. I had not intended to deal with that aspect of the matter; no doubt the minister will reply to that. But I should like to point out to the house and to the country that the situation here is not nearly comparable with the situation in the United Kingdom, because in England they have no corporation income tax; and a large sum of money will be paid under this tax, yoked up with the corporation income tax.

While we accept the principle of conscription of wealth in war time, it must be kept in mind that in times of peace excessive income and profit taxes and excessive succession duty on estates may work great injury to the state; that is if we are to maintain the capitalist system. It is no crime to accumulate a moderate degree of wealth. The accumulation of a large amount of wealth in Canada at least is exceptional, and in no sense proves the rule. I venture to suggest that most of us sitting in this house have striven as hard as we could to accumulate capital; and I venture further to say that most of the accumulated capital in this country has been attained by the exercise of the old-fashioned virtue of thrift, a virtue which all too many people have ceased to practise. Do not, then, in peace time penalize too severely those who practise this virtue. In war time it affords a reservoir from which the government may and will under this budget draw huge sums of money for the country's war effort. In peace time thrifty savings must be put back into business, which in turn will employ labour, utilize materials and supplies and employ more of our people. If not invested directly in industry it must be invested in securities, which largely represent industry.

I had not intended to go into the various ramifications of the new measure, but it is an intricate matter and one which I think hon. members should endeavour to understand, as I should like to understand it myself; therefore I think some reference should be made to the details. Like the September act, which has now passed into

oblivion, the new act takes a base period as a starting point, and this base period is the average of the net profits before deducting regular income tax—am I right there?—for company years ending in the years 1936, 1937, 1938 and 1939. All profits in excess of this four year average are subject to the new excess profits tax.

Taxable income is to be determined under the provisions of the Income War Tax Act. Deduction of the regular rate of corporation income tax, 18 per cent for unconsolidated returns and 20 per cent for consolidated returns, is permitted before calculating the annual tax under the excess profits tax. The amount by which the current year's taxable income, before regular income taxes, exceeds the four year average income tax is subject to excess profits tax at the new rate of 75 cents. I hope I have correctly stated the effect of the proposals.

There is another provision in this new tax bill, however, which in effect makes the minimum corporation income tax rate 30 per cent for unconsolidated returns or 32 per cent for consolidated returns. Under the new income tax act a minimum of 12 per cent is payable, in addition to the regular 18 per cent or 20 per cent rate, in cases where this amount would be larger than the excess profits tax computed at 75 per cent, and the amount by which the year's profits exceed those of the base period. That, of course, is a very heavy impost, as the minister knows better than I do.

No alteration is made in the provision whereby ten per cent of the cost of capital expenditure computed in the year 1940 may be amortized against taxable income over a period of three years, and I congratulate the minister on having left this concession in the law. I note, too, that the excess profits tax will not apply on income received by Canadian companies from subsidiaries or other investments in Canada. This, of course, guards against duplication. I am wondering if it is clear that this provision applies in respect of income received by a Canadian company operating a subsidiary in the United States, or does it only apply to subsidiaries in Canada? I am hopeful that the minister will give some consideration to that point, and make it clear.

I am curious as to the reference to a board of referees, which the minister suggested would be appointed, and for which the resolution provides to assist in carrying out the provisions of the proposed measure "fairly and realistically," as he stated. Just what are to be the real functions of this board? Is it to be a court of appeal? If so, then great care should be exercised in the selection of the personnel. Above all, political consideration must be strictly taboo, and only men of the highest integrity and judicial ability should even be considered. I warn the minister that his selection will be watched with great anxiety, because an arbitrary board could easily make or break any concern coming under its jurisdiction.

Then, in respect to gold mining: The minister made more than a gesture to the gold mining and oil producing industries. It is, of course, wholly desirable that any new ventures should be encouraged, but I would not think it desirable or in the public interest that proven ventures should be given special consideration. I have in mind the type of man who makes a lucky strike, and then because he is being taxed pretty heavily leaves the country. They must, without question, be treated liberally with respect to depletion and depreciation. It is being borne in mind, too, that our gold production is a most important item in our exports and helps mightily to maintain our trade position, and also our exchange position, but it must also be borne in mind that gold as a commodity for sale and export has come into its own to a greater degree than any other Canadian commodity. There is a tremendous unearned increment there, and this industry must, and I have no doubt will, bear its just share of the national burden, especially in war time. The difficulty has been, and I presume now is, to arrive at a wise and just conclusion as to the incidence of the taxes to be imposed. I know some of the difficulties of the past. I know, too, that every ounce of gold taken is just that much exhaustion of our estate, but providence has been reasonably kind to Canada in this regard, and we are indeed fortunate in having this huge reservoir upon which to draw in this hour of peril.

Then, with respect to the national defence tax, in theory this tax is a supplement to the graduated income tax. It will bring in an army of new taxpayers and to that extent it is all to the good, because I have found that any one who has to pay a particular tax for the first time becomes interested in the application of the tax moneys. This new war tax will help to impress upon the new taxpayer that he is in this war. The results from the tax, $20,000,000, for the balance of this fiscal year, and $35,000,000 estimated for 1941, are substantial and will be a welcome addition to our war effort.

While this is all true, yet may I remind the country that this sacrificial taxation is in a degree coming from the same source as that from which the increased income taxes

are coming—in this case salaried or the wage-earning classes, many of whom will be already found in the lowest income brackets. These will be obliged to pay both taxes. I am not objecting. I now desire to call attention to the situation with respect to the method of collection—at the source. I agree that the minister has taken the most practicable course; any other procedure would have resulted in great expense to the treasury and there would have been some loss. At the same time this has shown that he appreciates the fact that this tax will add another burden to executives and business generally. To offset this he proposes to make provision toward reimbursing employers for expenses so incurred.

So far, so good; but may I be permitted to make a suggestion to the minister. For years I have heard complaints—sometimes bitter complaints—that business enterprises have to make altogether too many returns to governmental departments. All this costs time and money and is frequently a source of irritation. Some people, you know, thrive on statistics. Is it not possible that with this new duty cast upon the accounting departments of firms and corporations some attempt can be made to reduce the volume of statistics and returns which they are now obliged to make? I know that statistics are important, but they never fed any one, and we are apt to allow bureaucrats to demand much more than is requisite and necessary. Some amelioration in this regard may be reasonably expected in war time.

I think, Mr. Speaker, I should make some reference to the new war exchange tax. Its primary importance is to conserve exchange. I have no means of judging as to whether it will be a revenue producer or not. I am prepared to accept the minister's estimate of $65,000,000 in the first full year, of which $50,000,000 will be collected in the present fiscal year. It does not apply to empire countries and will be subject to drawback for export, as in the case of customs duties. Cases of hardship will arise because of its imposition. I hope the minister has given full consideration to this aspect, and that he will see, if he has the necessary power, that such injustices as may arise and be properly established are corrected. Here again great care will have to be exercised.

I have in mind persons, firms, or corporations which sell United States made heavy goods, such as caterpillar tractors or other such equipment, of a class or kind not made in Canada, ordered for contractors having contracts with this government for the clearing of airport sites under a firm contract on a laid down duty paid price in the maritime provinces. It is quite clear from the new section 88-A (1) of the Special War Revenue Act, read in conjunction with section 13 of the resolution, that all such goods must pay this extra tax and that it will apply on all goods imported or taken out of warehouse for consumption on or after June 25, 1940, and on all goods previously imported for which no entry for consumption was made before that day.

Now, the case I want to put to the minister is this: What about goods in transit, ordered in good faith, on a firm contract on a duty free basis laid down in Canada prior to the budget? It seems to me that some consideration at least should be given to importers who find themselves in this position. These machines cost a lot of money, they are usually sold at a laid down price at the point where the contractor takes delivery, that is to say, duty paid in Canada. Are these dealers to be penalized?

Mr. RALSTON: Is my hon. friend referring to the same class of article?

Mr. HANSON (York-Sunbury): Yes. I suggest the minister give very serious and sympathetic consideration to their position. But I am bound to say that balancing the disadvantages that may arise against the advantages which will accrue in respect to conservation of exchange, I am of opinion that the tax is justified. In fact, I would have gone somewhat farther.

In order to conserve our exchange position, that is, if it is deemed desirable and in the public interest to preserve the pegged rate at its present position, and having regard to the large adverse balance of trade which is steadliy mounting against us in respect to non-empire countries, principally the United States, we must either restrict our imports or impose new imposts as suggested. I would think that consideration might be given to taking even more drastic action looking toward the total exclusion of certain luxury imports, that is if our hands are free to do so. It is one of the things they have had to do in England and we might well follow their example. We could save a lot of exchange if such a course were adopted, and at the same time do no violence to a decent standard of living. I commend this suggestion to the minister. He has, however, elected to adopt a middle course, I assume on the theory of revenue requirements.

But while he has done that, do not imagine that this tax will not operate as an additional protective duty. It is bound to have that effect no matter what the minister may say as to measures which he may take under the war-time prices and trade board. Increased prices will follow because, under the theory

of a protective tariff, the consumer in the final analysis pays the duty. All the minister can do is to see that there is no unjustified increase in prices. I commend this matter to the attention of my free trade friends in this house, if there are any left after following this government for five years.

I am in agreement with the principle of taxing high-priced motor cars. With respect to these luxury taxes on automobiles there is a proviso which will be found on page 8 of the ways and means resolutions to the effect that if a new and unused automobile is in the hands of a dealer on June 25 and not delivered to another purchaser, the tax shall be paid by such dealer when such automobile is delivered. This means that any new and unsold car in the hands of a dealer must bear these increased taxes. I suggest that that is neither fair nor equitable, and that the tax contemplated by this proviso should not be imposed. I have no special information, but I feel certain that as the public anticipated this new taxation on automobiles the situation has been discounted largely and that not many new cars were in the hands of dealers when the budget speech was delivered. The loss of revenue which would be sustained if this item were dropped would not be large.

May I remind the minister that years ago when Sir Henry Drayton was minister of finance a similar tax was placed on automobiles left in the hands of dealers when the budget of that time was introduced. The tax collected amounted to several hundred thousand dollars, and after the change of government in 1921 a campaign was carried on here in Ottawa and a lobby established in this house, as vigorous and intense as any I have ever known, with the result that years afterwards the government of the day, then led by the present Prime Minister, succumbed to the importunities of an organization here in Ottawa and rebated the tax with interest. I suggest to the minister that he does not, even in war time, want to get into a similar position. If he does, I have no doubt that no matter what the political stripe of the administration may be, the result will be a repetition of the experience we had years ago when the government of the day succumbed to the importunities of a powerful lobby.

Finally, there is a matter to which I desire to draw the attention of the house and the country; I refer to retrenchment in the ordinary public services of the country as distinguished from war services. I have already expressed the view on more than one occasion during this session that with this country at war the Canadian people will gladly yield all the money the government may require to defend Canada successfully and to aid our mother country. Of that there is no doubt. The measure of their contribution will be the measure of their ability to pay. They will even expect wasteful expenditure—all war is wasteful—but they will frown upon any and every expenditure not absolutely necessary in the ordinary operations of the country. The estimates before the house indicate that the government has made a substantial move in that direction. In the September 1939 budget, total expenditures aggregated approximately $651 million, not including two items of capitalized defence expenditures and further losses of $27 million on wheat. The total expenditures for last year are now estimated at $681 million. I would assume that with the close of the fiscal year now three months past this figure is reasonably correct. This figure is broken down in the minister's statement. It should be noted that due to increased taxation during the year the revenues were $46 million greater, but we had an actual deficit of $118 million and our net debt rose accordingly. This was without reference to war expenditures.

For 1940-41 the estimated expenditure is $448 million as compared with $525 million estimated for the past fiscal year, an apparent reduction of $77 million. But I am afraid that this is not a true picture. The saving is more apparent than real. Because of war activity a certain amount of expenditure, which in peace time would be charged to ordinary expenditures, is now being paid out of war appropriations. In his press interview in May last, when bringing down the estimates for 1940-41, the minister did not even pretend that the entire $77 million would be net saving. This was because of the necessity of switching certain peace-time services and administrative charges to war account, both in personnel and services; but the minister did make it clear that there would be a holiday in ordinary public works. That is to date the most important indication of the government's intention to save something in the ordinary expenditure.

The minister indicated that the expenditures under the main estimates last year amounted roughly to $400 million. Of this $260 million represented what was regarded as absolutely uncontrollable expenditure. By that is meant war pensions, old age pensions, subsidies to the provinces, interest and what I would term statutory obligations. This left only $140 million, out of which savings might be made, and of this amount $80 million was for salaries and wages, leaving $60 million covered by the main estimates which might be subjected to reductions. Then the minister stated

in effect that nothing could be saved out of the $80 million reserved for salaries and wages, apart from discharging government employees. I am not recommending wholesale dismissal of salaried government employees. There have been dismissals of wage earners and temporary employees, but I would recommend limited reductions in personnel without the public service being imperilled. What I do earnestly recommend, however, is that when vacancies occur by death, resignation and superannuation, such vacancies be not filled unless it is absolutely imperative in the public interest. This can and should be done, and all and sundry should be given notice to govern themselves accordingly. It has been done before. It was done between 1930 and 1935 when literally thousands of positions were left vacant with a resulting saving of hundreds of thousands of dollars. It can be done again, and it should be done again.

Furthermore, the minister should see to it that no new personnel is taken on. The other night I referred to the position of Mr. Brockington, the very talented lawyer who was brought down here recently from Winnipeg under an arrangement by which, as I am informed, he was to become the historian of Canada's war effort. He was to be paid $9,000 annual salary and $12 per day living allowance. Now it would no doubt be a splendid thing to have Canada's war effort recorded from day to day provided it was done impartially, truthfully and accurately. But history is not usually written up from day to day. It is recorded in the immortal pages of time; a true history is never written until time has rendered a true perspective. This expenditure is wholly unnecessary at this time, especially at the expense of a tax-ridden people. I believe that Mr. Brockington's services are not being utilized in any degree for the purpose indicated, and I hear he is most unhappy about it. Be that as it may, I allege that the creation of the position was unnecessary and at this time is a waste of public money. Furthermore, Mr. Brockington's brilliant and talented services are being utilized in writing propaganda purely and solely to bolster up the shattered prestige of this government. I do not say he is the Prime Minister's ghost writer, but his services approach that description, and I do protest against this type of wasteful public expenditure.

I could refer to instances of the creation of jobs to take care of defeated candidates. I protest against this sort of thing. Let us have an end of it. I mention no names, but the names are well known.

Mr. MARTIN: They are not all Liberals.

[Mr. R. B. Hanson.]

Mr. HANSON (York-Sunbury): That does not help it any. It is the principle I am contending for, and the hon. gentleman should sustain me. In fact, the action of the government in this regard seems to be naked and unashamed. If the government will not stop this sort of thing, a rapidly awakened public opinion will make itself heard.

The minister closed his lengthy remarks by paying a well-deserved tribute to the Canadian people. I have already done so on more than one occasion. I know, as he knows, the stock from which they sprang. Comprising in the main the offspring of two great races, cognizant of the gravity of the occasion, they will rise to the challenge and, like our kindred in Britain, they will give their blood, their treasure, their all; but they will impose this condition, that this government give the highest type of leadership, and if this government will not give the necessary and vital leadership required, then the people of Canada will demand a new government, a really national government.

In conclusion, Mr. Speaker, I desire to make this statement. In ordinary peace times this debate would go on perhaps for weeks. But these are not peace times. The Minister of Finance has become, if he has not already taken over the duties of the office, the Minister of National Defence, and I have asked myself this question: Why should the Minister of Finance, who is to become the Minister of National Defence, be compelled to stay in this chamber and listen to a large number of speeches, some of them relevant and some of them irrelevant? And so, Mr. Speaker, to expedite the business of the country, to expedite particularly our war effort, to expedite the minister's plans with respect to the defence of Canada and especially of our Atlantic shore line, I suggest to the house, I suggest to the government and their followers, and I make a special appeal to my friends in the far corner, that we let this budget pass and release the minister to administer his new office of Minister of National Defence. Let the new Minister of Finance, whoever he is to be, or the very competent, shall I say, Minister of National Revenue (Mr. Ilsley) pilot the financial resolutions through committee and let us get along with the war. I am prepared to help him, but I want to make just one proviso, and that is that when we are in committee on the resolutions hon. members who have prepared speeches and who want to make themselves heard or who want through this medium to talk to their constituents, should be given the opportunity and very wide

latitude to make their statements in the committee. I make this offer, I make this appeal in the interests of Canada's war effort, which I am prepared to back up and help support with all the power at my command. Whatever little ability I have I want to place it at the disposal of the government, not to help this government survive as a party government, but to help Canada win this war.

Mr. ABBOTT: Mr. Speaker—

Mr. HANSON (York-Sunbury): Is the minister prepared to make a statement before the hon. member proceeds?

Mr. RALSTON: If the hon. member for St. Antoine-Westmount will permit me, I want to say to my hon. friend the leader of the opposition (Mr. Hanson) and to the house that in regard to opportunity being given for discussion in committee of any matters which ordinarily would be discussed on the budget itself, the government is perfectly satisfied to give the undertaking that such opportunity will be given. It is a matter, of course, for the house to decide, but hon. members may be assured that if it is desired to make their statements on the budget in committee they will not be precluded by the budget itself being disposed of without prolonged debate.

Mr. MacINNIS: We are all involved in this, Mr. Speaker, and you cannot deal with the matter unless we have the opportunity—

Mr. SPEAKER: I understood that the Minister of Finance was making a statement in reply to the question asked by the hon. leader of the opposition with regard to an opportunity being given to hon. members to make their statements in committee. The hon. member for St. Antoine-Westmount (Mr. Abbott) now has the floor.

Mr. D. C. ABBOTT (St. Antoine-Westmount): Mr. Speaker, this is almost the first occasion on which I have had the honour of addressing this house. That it is not the first is due to the fact that my hon. friend the leader of the opposition (Mr. Hanson) asked for an explanation of one or two private bills standing in my name. In view of his concluding remarks I am almost discouraged from rising now; nevertheless having steeled myself to do so, I shall proceed notwithstanding what he has said.

I have observed that it is customary for a new member, speaking for the first time, to make some reference to the constituency which he represents, and I propose very briefly to discharge that pleasant duty.

The constituency of St. Antoine-Westmount is one of the larger Montreal constituencies. Predominantly residential, it includes all the city of Westmount, part of St. Antoine ward, part of the old St. Andrews ward and a little bit of St. George's ward. Such outstanding landmarks as the Forum and Bonaventure station are included within its limits.

The leader of the opposition has mentioned that the increase in the graduated personal income tax bears very heavily on the lower and medium brackets. I think it is fair to say, Mr. Speaker, that there are perhaps as many people in my constituency, who will be directly affected by these increases, as in any other constituency in Canada. The Minister of Finance (Mr. Ralston) made his budget speech a week ago to-day. The country has had notice of these increases, and I am glad to say that since that time I have not heard of a single objection to the increases on the part of my constituents. Their attitude is best expressed in the words of one of them, the Minister of Finance himself, when he said that these increased burdens would be loyally accepted and paid as a small price to pay for the preservation of our liberties.

On this question of my constituency, Mr. Speaker, perhaps I can give hon. members some idea of the intellectual qualities of its residents when I say that I have five electors who are members of this house, two of them ministers of the crown. I have not compiled any statistics on the senatorial representation, but I think it is fair to say that St. Antoine-Westmount has contributed its fair share, in numbers at any rate, to the public life of Canada.

I propose to-day to discuss some features of the excess profits tax, with particular reference to the criticism of that tax voiced in the house the other day by the hon. member for Rosetown-Biggar (Mr. Coldwell). I am sorry that he is not here this afternoon. I spoke to him this morning and he told me he had to attend a meeting of the special committee on the defence of Canada regulations. In the course of his remarks the other day he stated that some corporations were paying no excess profits tax. That, of course, Mr. Speaker, is clearly incorrect, since under the resolution every corporation, whether it makes excess profits or not, will pay a minimum excess profits tax of 12 per cent on its total earnings.

After he had given a considerable number of figures and percentages, with which I propose to deal in a few minutes, the hon. member went on to say, as reported at page 1232 of *Hansard*:

Of course we consider that such profits ought not to be permitted during the course of the war, and that we should take all profits above a fair return on the capital invested and the

risk taken. That would vary in various industries. The hon. member for Davenport (Mr. MacNicol) asked me a few minutes ago if I would take all profits. I believe that these industries can be classified according to risk experienced, and so on, and after having so classified them we would take all profits above the amount which we consider to be a fair return for the risk taken.

That, Mr. Speaker, is indefinite. Speaking in the debate on the National Resources Mobilization Act on June 18, the hon. member for Rosetown-Biggar spoke of the British excess profits tax. On page 873 of *Hansard* he is reported as having said:

. . . we have a right to ask that the government at the same time assure these young people that the excess profits tax will be instituted as in Great Britain, and will be one hundred per cent. And we ask that prior to giving our support to this bill.

May I say that, as has been pointed out by my hon. friend the leader of the opposition, the proposed excess profits tax, taken in conjunction with the corporation income tax, is more onerous than the tax under the English act. As many hon. members know, and as the leader of the opposition has already indicated, there is no corporation income tax as such in England. There, a corporation deducts tax at the standard rate, but the individual shareholder is entitled to take credit for that deduction in his own return, so that in effect there is no double tax, as there is in Canada, on corporation earnings.

I propose this afternoon to compare briefly the provisions of the two taxing acts, in Great Britain and under the proposed act which is now being discussed.

Under both these acts, as has already been indicated, excess profits are treated as being profits in excess of an average or standard rate. Under the English act, for the purpose of establishing that average rate the taxpayer has one of four options. He can take his earnings for 1935, or he can take his earnings for 1936, or he can take the average of his earnings for 1935 and 1937, or the average of his earnings for 1936 and 1937. That applies of course to companies which have been operating during that period. I may say in passing that similar provisions exist under both acts for a board of referees to establish the standard or average profit for new companies and companies which have been operating under depressed conditions.

Under the Canadian act the taxpayer has no such option. His average or standard profit is established by taking the average profit of the four years 1936, 1937, 1938 and 1939, and all companies pay a minimum corporation tax of 18 per cent in the case of a straight return and 20 per cent in the case of a consolidated return, plus a minimum excess profits tax of 12 per cent on all earnings whether they are over and above that average or standard rate or not.

Perhaps I could illustrate that position best by one or two examples. Take a company for instance with earnings in 1940 of $100,000. If that amount is equal to or less than the average or standard earnings of that company for the four preceding years, in Canada, such a company would pay a tax of $30,000, that is to say, 18 per cent income tax and 12 per cent excess profits tax, assuming it did not file its return on a consolidated basis. In England a company making the same profit of $100,000 with an average or standard profit, on one of those options I mentioned, of $100,000, would pay no tax at all.

Take a second case of the same company earning $100,000 in 1940, whose average earnings during the relevant period were $75,000. In that case, under the definition in both the English act and the Canadian act the excess profit would be $25,000. That company in Canada would pay a tax of $33,375. In England it would pay a tax of only $25,000; in other words, 100 per cent of the excess profit of $25,000.

As will be seen, it all depends on where you start paying your tax, and obviously a company which pays no excess profits tax on, say three-fourths of its income, and in the case of England, pays no tax at all, on three-fourths of its income, is better off than a company which pays 18 per cent on all its income and an excess profits tax of 75 per cent on the remaining quarter.

It seems to me that if the hon. member for Rosetown-Biggar is satisfied with the provisions of the British act, he should be more than satisfied with the provisions of the proposed Canadian act taken in conjunction with the corporation income tax under the Income War Tax Act.

In his speech last Friday the hon. member for Rosetown-Biggar referred to a list of thirty-three Canadian companies which, he said, had been prepared by himself and someone to whom he referred as an able statistician. He gave the house a great many figures, percentages, estimates of earnings and so on of these thirty-three companies, including an estimate of what those companies would pay on their 1940 income assuming that that income were the same as it was in 1939. My hon. friend was good enough to furnish me with a copy of the statement to which he referred, and I was able to see how he had arrived at those calculations.

May I say, Mr. Speaker, that the figures which the hon. member for Rosetown-Biggar gave to this house on Friday as being the estimated tax which those companies would pay in 1940 based on their 1939 income, were incorrect, and the estimate of the tax which he made is substantially lower than the tax that those companies would pay on the basis referred to. They are incorrect for two reasons. First, that my hon. friend computed his tax on the basis of net earnings available for dividends, which of course was the amount after deducting provision for income tax. Obviously that is wrong, because in the case of a percentage tax you do not deduct the amount of your tax before you calculate how much you have to pay. They were wrong for a second reason, that in the case of twenty-eight of the thirty-three companies he computed his minimum excess profits tax at 10 per cent and not 12 per cent as provided under the resolution. I am going to deal briefly with the five specific cases to which the hon. member referred.

With regard to Consolidated Smelters, he estimated his tax on $9,339,586, which was the net amount shown by that company as available for dividends. It had made provision of $2,280,000 for tax, which must be added to that figure of $9,339,586, so that the correct figure should be $11,619,586. If we use that figure, the total corporation income tax plus excess profits tax at the minimum rate amounts to $3,718,267 instead of $2,801,876 as given by my hon. friend, or a difference of $916,391.

The second company with which the hon. member dealt specifically was Canadian Industries Limited. Again by the same process he underestimated the tax by $579,457.

The third was International Nickel, the big one of the five. International Nickel had included in its accounts $7,296,986 for income tax. Figuring again on the same basis, my hon. friend underestimated the tax payable by International Nickel by the amount of $3,071,984.

The fourth was Asbestos Corporation; this is the small one as far as earnings are concerned. Figuring that on the same basis, we find the underestimate is $101,796.

Aluminium Limited is the only one of those which my hon. friend selected which would in all probability be taxed on the higher basis, that is 75 per cent of excess profits. His statement did not enable me to see exactly what four years he used as a basis for his average, but I think they must have been 1936, 1937, 1938 and 1939. On that basis he underestimated the amount of tax payable by that company by $878,162.

I did not attempt to calculate the amount of the underestimate with respect to the other twenty-eight companies, but on these five my friend underestimated the tax which would be payable by them by $5,547,590, or in other words an average of something over a million dollars per company. If the same ratio continued with respect to the other twenty-eight, he would have underestimated by about $33,000,000, or pretty close to the amount which the Minister of Finance estimated will be produced by the national defence levy.

It is a considerable time since I had lectures in logic, but as I remember, the soundness of the conclusions reached depends on the soundness of the premises on which those conclusions are based; if the premises are false, the conclusions are false. I suggest that that reasoning might be applied to the conclusions reached by the hon. member for Rosetown-Biggar with respect to the excess profits tax.

One last point. My hon. friend mentioned that he had not overlooked the fact that these corporation profits, or what was left of them after the deduction of the corporation income tax and the excess profits tax, would be subject to taxation in the hands of the shareholders who received them. I am glad he did not entirely overlook that point, because, as hon. members know, that income, or rather what is left of it, is subject to tax a second time in the hands of the shareholder who receives it, a third time by the different provinces, with the exception of New Brunswick and Nova Scotia, and a fourth time in the case of a shareholder residing in my own city of Montreal, by that city. And for good measure those same corporation profits are subject to corporation profits tax in many of the provinces with respect to the profits earned in those provinces. In the case of Ontario and Quebec the rate is five per cent.

In the course of his address the other day the Minister of Finance used the word "fantastic" as applied to a possible combination of federal, provincial and municipal taxes on the same income. That seems to me a very apt word. I have little sympathy with the view expressed by hon. members in the other corner that the taxes to be imposed on industry and on corporation earnings under this budget are inadequate.

I have already taken rather more time than I had intended—

Some hon. MEMBERS: Go on.

Mr. ABBOTT: I had some comments or rather suggestions to make in connection with the administration sections, but in view of what the leader of the opposition said I have no doubt an opportunity will be accorded to

put these forward in the committee stage, so I conclude by thanking you, Mr. Speaker, and hon. members for the patient and courteous attention which has been given to my remarks.

Mrs. DORISE W. NIELSEN (North Battleford): As a new member of this house I have during these last weeks listened with a great deal of interest, and I may also say patience, to the debates which have taken place. As a new member I have of course very much to learn. As the representative of an agricultural riding where not only the farmers who have been long established but also those who have newly attempted to carve homes for themselves out of the wilderness of the north all find themselves in great distress, it has been my primary duty to attempt to place before this house a fair picture of conditions in my constituency. I have had a great deal of consideration from the Minister of Labour (Mr. McLarty), and he has promised an investigation into the particular conditions which I have outlined. During the weeks since I came here I have learned a great deal, not only in this house. I have visited some of the great cities of the east, and I have come to the conclusion that the problems which face our western farmers are more or less the same problems which face the working people in the cities of the east.

I have watched the legislation introduced in this house. I must confess that when I came here I had hopes that the great crisis facing the nation would force this government to bring in constructive and progressive legislation really in the best interests of, and to the benefit of the people of Canada. The budget debate follows very closely on the heels of the bill to conscript man-power and property. In my opinion, Mr. Speaker, it proves that bill false. We were led to understand that the bill conscripting man-power and property would conscript the great reserves of wealth within the borders of this country, to be used in the prosecution of the war. Now that the budget has been brought down, we realize that the great masses of the working people of Canada, out of their scanty earnings and low wages, will have to provide the enormous amount of money for our war effort.

I can no longer remain silent and support this government. My hon. friends to my right have opposed some legislation which has been introduced in this house; yet they have constantly affirmed their support of this government. I cannot do that. I do not, I will not support this government. After a careful appraisal of the policy of this government I find that if I am to remain loyal to the people who sent me here, it is impossible for me to support either this budget or the legislation which has been introduced by the government, and I am prepared to tell the people why that is so. I know that anyone who dares to disagree with the policy of the government is accused of being disloyal and an enemy of Canada; but, as time goes on, I become more convinced that in the days to come those who support this government will be judged to be the real enemies of the Canadian people. As I see it, if I remained silent I should be disloyal to those whom I represent.

During this session this government has passed legislation to subjugate the Canadian people and force them into both political and economic bondage. To a large extent we have lost our political liberty through the defence of Canada regulations, and now in the proposed budget we face social and economic disaster. The worst of it is that all this is proposed under the guise of patriotism. As everyone knows, our press is more or less controlled by the same powers that control the great financial institutions, the corporations and the monopolies of this country. The press has led the people to believe that this budget calls for national sacrifice. They say it is an emergency budget to save Canada, to save the world, and that it will bring about equality of sacrifice. We are told that we need some $700,000,000 for the war and further sums for other expenses, making a grand total of about a billion and a half dollars. If the conscription bill had been what it purported to be, there would have been no necessity for this increased taxation, which will so greatly harass and burden those in the lower income brackets. There is wealth in this country, sufficient not only for the prosecution of this war to even a greater extent than we are now prosecuting it, but also to rehabilitate our people.

To-day, Mr. Speaker, we are facing two great crises. We have a war crisis and we have a domestic crisis. If anyone says that a domestic crisis does not exist, I can only say it is because they do not wish to see it. There are none so blind as those who will not see. When we say that the war crisis is the only crisis which matters, we are absolutely failing the Canadian people. Provision could have been made to meet both these crises if the government had not been the mouthpiece of the great financial interests of this country, as it always has been. Government spokesmen have told the people that the incomes of the wealthy are to be taxed so that they wll help bear the cost of the war. That hides the real truth from the people. It is possible for the great monopolies, the great

industrial corporations, to increase their capital by millions of dollars without paying any tax except on a very small portion which they may set aside for certain purposes. They can increase their capital and set aside enormous amounts for reinvestment without ever coming under the taxation laws of this dominion. They have certain surpluses of capital which, under our laws, may be exempt from immediate taxation. That is where any government, working in the true interests of the Canadian people, should have looked for reserves with which to finance not only this war but also a rehabilitation scheme for the people still in distress in this country.

The minister has acknowledged that even with the increased taxation proposed he will not have sufficient money to prosecute the war, and he says that we must meet the rest of our obligations by borrowing. Where will he turn? Of course he will go to these vast reserves of capital which, instead of being loaned to the government, should be conscripted. It amounts to this: During the last great economic crisis these reserves of capital were already in existence, but at that time it was not profitable to lend them for the rehabilitation of our people. In this war crisis to-day, however, it is profitable not to have this great wealth conscripted but rather to loan it to the people of Canada for the prosecution of the war. That is so because the people who loan this money are the same people who will have the advantage of possessing huge sums of money with which to go ahead with new industries for the production of munitions and so on. Now it is profitable for them to show their patriotism and loan their money. But it is not the kind of patriotism that is being demanded of them by means of conscription, as it should be. The working people are asked to give their sons. Our working men will go into the factories. As time goes on they will find that their wages will become more meagre and the real value of their money will be decreased.

The situation to-day is the same as it was in 1914. Then the people thought the greater part of the war burden was to be borne by the wealthy, but in 1918 the people found that they themselves had borne the brunt of the sacrifice, not only through the giving up of their sons but also through the piling up of debt. The farmers of our country will go on with their unremitting toil, and what guarantee have they that in the years to come they will be able to establish for themselves even a decent standard of living? These things are all part of the domestic crisis which we as a responsible body cannot and must not neglect. The Canadian people are going to be told what is their patriotic duty. During the last war we made sixty new millionaires in Canada, and we sacrificed 60,000 men. That meant roughly the lives of a thousand men for every new millionaire created; and during that period the debt of the people increased. In 1914 our per capita debt amounted to $42.64, while at the end of the war period, after we had created sixty new millionaires, the per capita debt had increased to $266.37.

As far as I can see, the same sort of thing will go on during this war. No one can say at the present time how many new millionaires we are going to create, but from the legislation which has been passed by this house already, I feel sure that we shall continue to increase the number of wealthy people in this dominion and add a further burden of debt to the shoulders of the working people during the years to come. That is not what we understood by the conscription bill which has just been passed. It is not the kind of legislation which we, as representatives of the people, should allow to pass through this House of Commons. The borrowing of vast sums of money will create unadulterated inflation at the expense of the Canadian people. The great interests will not suffer enormously through these coming years. Roughly $700,000,000 will be taken out of the purchasing power of the people, and at the same time the shackles of debt will be tied round the Canadian people, like millstones round their necks, to make of them slaves into the future. And children who are not yet born will be among them. Not only will it affect the people who are to-day destitute and barely managing to live, but it will affect hundreds, yes, thousands of the middle-class people who will lose their scanty savings, and be forced down to a degree of poverty unnecessary and unneedful in a country of great wealth such as this.

After all, for what reason are the youth of Canada being conscripted? The government says it is for home service. That is true enough. What are they to protect at home? Besides the homes of their own people it is their duty to protect the great corporations, the banks and the factories—all those organizations which in the past have cared so little for the youth of Canada that during the late crisis they refused to lend their money, let alone have their money conscripted, for the rehabilitation of our people.

The most patriotic procedure for the government to take would be to go to these vast reserves of capital which, if unmolested, will be used for reinvestment, and from this money finance not only the prosecution of this war but a rehabilitation scheme for our people.

I noticed that on Friday last an hon. member of the official opposition—I believe it was the hon. member for Danforth (Mr. Harris)—referred to the position of the Canadian people. In his speech he said:

> I am afraid our Canadian people have not been as provident as they might have been, particularly the younger people. In my own home I have four people driving cars, so I think I know what I am talking about. Our people have not been provident; they have been reckless; there has been too much wasteful spending.

The fact that a man has four people driving cars is no indication that he knows what he is talking about. I am sorry to say that in my opinion what the hon. member for Danforth said merely shows, or goes to prove that one-half of the world does not know how the other half lives.

In 1935, roughly 56 per cent of our people were earning less than $1,000 a year. Yes, even with the most careful budgeting, in that year 56 per cent of our people had only sufficient to manage to live, let alone really enough to take care of hospital bills, or matters of that kind. We who are the Canadian people are not in a position to waste our money, for the simple reason that we have scarcely enough to manage to live. I believe the observation of the hon. member for Danforth shows on his part a lack of knowledge respecting the Canadian people. In 1934 two-thirds of our industrial workers, that is about 1,617,000 of them, earned on an average $360 a year. I wonder how there could be any wasteful spending for them. Then, our farmers averaged about $474 in that year, and in some instances that amount had to provide for large families.

I believe that if we fully realized the way in which the majority of Canadian people have had to live in the last few years, we would understand that not only have they been unable to waste money, but they have been unable really to live decently, or to live as people in this day and age, and in a country such as this, should be able to live. Now they are having an added burden placed upon their shoulders. How the people are going to carry that burden in the next few months, or maybe years, I have no idea.

Of course since 1935 we have had greater technical improvements. The volume of industrial output in 1937 was the same as in 1929, but in the latter year we used 1,500,000 fewer men. In 1920 the Canadian railroads employed 185,000 men, whereas in 1937, despite increased transportation, they employed only 125,000 men. Consequently, in addition to those people receiving low incomes, we have to-day people who are unemployed and others on agricultural relief.

[Mrs. Nielsen.]

I have been interested recently in letters received from my constituency. I learn that out there relief schedules have been cut to a point where families of two persons are receiving aid at the rate of only $4 a month. A short time ago I made inquiries as to the amount it costs to keep a man in an internment camp, and I found that the cost of keeping such a man is practically the same as that for a soldier. In other words, it costs 35 cents a day or about $10.50 a month.

It is peculiar that the government can spend $10.50 a month on each of a group of interned aliens, but that it can afford only $4 a month to provide for two of our own citizens. There is something wrong with a government which permits such things to happen. I am not saying that the men in the internment camps should not be kept decently, but I am saying that the government should take far greater heed of the necessities of our people, and should do more to establish them and give them an opportunity to live decently even in this time of crisis.

I believe it was Mr. Churchill who told the English people that he had nothing to offer them but blood, grief, tears and toil. I would say, Mr. Speaker, that in his budget the Minister of Finance (Mr. Ralston) promised the Canadian people nothing but misery, despair, destitution and fear. At the same time he did nothing to cause fear in the hearts of the owners of great wealth, or in the hearts of members of corporations, banks and industrial institutions throughout the country.

What are the people being forced to do? First of all, the income tax in the lower brackets is not the only difficulty people with lesser means will have to face. As time goes on, those people earning around $600 or $700 a year will find that their earnings will not go as far as they do to-day, and I believe they will learn that within a few months. Already—and we have government authority for this statement—their cost of living has gone up by about 4 per cent. Gradually we shall find that our great industries will take over more and more of the war industries. They will cease to produce as many goods and services required by the people. That in turn will create a rise in prices, and the result will be that in a few months' time the incomes of our people certainly will not go as far as they do to-day. The 10 per cent increase in the import tax will increase the cost of goods, and will certainly add to the price of food and clothing. I believe that tax will bring in around $65,000,000, a great part of which will come out of the pockets of that 65 per cent of our Canadian people

whose incomes are so tremendously low, and who to-day are not getting what they should have. Yet the government expects only about $100,000,000 from the excess profits tax. I say the import duty protects the wealthy and the corporations, and yet those same corporations by law can evade taxation of their capital gains.

During the months of the war it will be possible for them to amass enormous reserves of capital. But of course that capital is something in the nature of a golden calf set up in our country, something we are forbidden to touch. That is a precedent which has been created, one which even in this time of crisis the government is going to continue to protect. Our men must suffer; they must give their lives. Our people must toil unremittingly. They will be forced to accept wages set for them. They will be forced to accept conditions, under the defence of Canada regulations. Yet at the same time the conditions I have described will go on, and our financial system will continue to create greater wealth for the few and greater poverty and misery for the masses. Our men will go to work day after day with that feeling of frustration and hopelessness, and our women in their homes will see the peaked faces of their children. Despite all this, they will have absolutely no way of bettering their condition. That is said to be the sacrifice which is demanded of the people because of war. My conviction is that this sacrifice is not necessary. I contend that we could not only prosecute the war but rehabilitate our people without placing such a tremendous burden upon those who are unable to bear it.

There is one thing that the Canadian people should be told, and told quickly, namely, that we should not accept everything which this government tells us as being the absolute truth. As soon as this session is over, if the opportunity is accorded me, I shall do everything possible to let the people know why I have not been able to support this government in its war measures. In my opinion there is no reason why the people should have to believe these things any longer. I wonder how long it will be before the people really realize the unnecessary burden which the government has put upon them. I cannot think it will be very long. I believe the government realized months ago that during this war crisis the people's wisdom and natural understanding of things would come to their aid and that they would rebel against unjust legislation and the unjust burden of taxation which might be placed upon them. This government had the defence of Canada regulations prepared which are instruments of coercion to be used in the future upon our Canadian people.

To say that this budget is patriotic is in itself untrue. It is not a patriotic budget. It is most unpatriotic and disloyal to the Canadian people. There are many people in this country who supported this government through the last few years in the belief that should a crisis arise, the government would do certain things and take certain measures to alleviate the condition of the people. Yet to-day we find that so little is being done. Already the people are beginning to take matters into their own hands to some extent. I have a letter which was sent to me from the northern part of Saskatchewan. I believe it is a good thing that the people are taking matters into their own hands and writing letters; otherwise we would not get to know about what is happening. This letter states that at a council meeting twenty householders threatened that if they could not get immediate help they would help themselves. They stated that they had nothing at home to eat. This was simply a spontaneous reaction to the condition which faces some of our people.

As I say, I shall do everything possible to support the people, especially the mothers, in their just demands. It has been said that the female of the species is more deadly than the male. That is perfectly true. When Canadian mothers are forced to watch their children become emaciated because they lack those things which children in this country should have, those mothers have a right to raise their voices in protest. I can only hope that the women of this dominion will raise their voices as one united voice and protest against the legislation which has been passed and against the unjust budget which has been imposed upon them.

All expenditures which would be of benefit to the Canadian people have been decreased by this government. There is a decrease of $4,827,273 in the agricultural estimates. We find that old age pensions and pensions for the blind have been decreased by $4,620. We find a decrease of $350,000 in the estimates for youth training and a decrease of $12,170,310 in the estimates for direct relief. There is a decrease of $14,845 in the estimates for child and maternal hygiene, and a decrease of $14,540 in the estimates for publicity and health education. Pensions and national health estimates have been cut by $795,696, while there has been a decrease of $80,000 in the estimates for projects and schemes for veterans' assistance. In the case of public works, which would provide employment for

many, there has been a decrease of $17,016,794. Everything which would encourage our people and give them an opportunity to become self-supporting and perhaps be in a position to make a further contribution to this war effort is being cut down by the government.

I cannot find words strong enough to condemn this budget. As I said before, I hope the people of this country, realizing that there is no necessity for this added burden which is being placed upon them, will raise their voices unitedly in protest.

Mr. DANIEL McIVOR (Fort William): Mr. Speaker, I count it a great honour to be allowed to follow the lone, yet happy and brilliant lady member of this house. I think you will agree with me when I say that there should be more of her kind in this house, provided that increase in numbers would not cause some of us to lose our seats. We each look upon this budget from our own background. We consider it from our own educational point of view and the course that we follow in our everyday life. We heard the farmer refer to the budget as giving him the needed protection he required for his home and loved ones; he saw in it an opportunity for a stable market. The business man looks upon this budget as having a steadying influence; behind the scenes he sees a government which stands for the maintenance of traditions and the payment of just debts. A mother considers this budget in the light of the protection it provides for her home and loved ones. A lawyer looks at it from the point of view of the law; he is thinking of the sacred trust to which he obligated himself before he received his gown. Your Honour knows perfectly well what I mean. The doctor looks at this budget through the eyes of a man hungry for a really healthy nation; he knows that there is disease in the body politic and he hopes to find a way of killing that disease. Those clerical gentlemen who are members of this house, those men who have studied the queen of sciences, look at this budget from another point of view; they want to know upon what foundation it rests. As we gave an attentive hearing to the Minister of Finance (Mr. Ralston) when he proclaimed his budget, we realized that it rested upon the foundation of truth.

I want to congratulate the government—I have no doubt the former Minister of National Defence had a hand in it—upon the action they took to increase the pay cheques of our soldiers from $1.10 to $1.30 a day. He entered the trenches during the last war as a private, and I have no doubt he was able to recall the smell of the gas which sent him home a weaker man. No matter who may disagree with me, I contend that the poorest paid men in the British empire are those who risk their lives for $1.30 a day to protect the welfare of their country. Those who served in the last war were able to save very little. When they came home, some of us had to do our best to find them jobs at twenty-five cents an hour. I must say that in many instances I failed to find even a job of that sort. That was one of the things which constrained me to permit my name to be submitted to the electorate of the finest constituency in the Dominion of Canada.

As I listened to the minister introducing his budget, he looked to me a real minister, as he is, but just now I mean a minister in the sense of a clergyman. He stood up in his place in the house and obviously was convinced that he had something to say. He was not ashamed of it. He felt that it was the truth which the vast audience that filled this house and the galleries needed to know. And he delivered his message in such a way that we all realized he was in earnest and spoke with conviction.

As I heard his opening remarks, which we call the introduction, there arose a spirit of expectancy. He rises and tells the house why he stands in his place and delivers his message. Here are his own words: "The Hun is hammering at the gate."

Could we not almost hear the big hammer as the minister's words echoed through the house? We were almost within sound of the Hun with his mechanized warfare, with his record of cruelty and cussedness all along the line, leaving a trail of broken hearts, broken homes and broken souls. The minister certainly introduced his subject in splendid style, and we were all ready to listen.

Then he makes his plea. He asks for money. I know some ministers who hate to ask their people for money, but I have never stood in any pulpit yet and felt ashamed to ask for money for a worthy cause—and no one has a right to be ashamed or to come before the public with an apologetic air when he is asking for money for a worthy cause. I think the minister showed his real sincerity as he asked for money.

Then he went on to present his subject in splendid form, and as he proceeded with arguments that were logical we were convinced that he would get what he was asking for, and that when the collection plates came in they would be loaded. When he was making his plea for a collection he used concrete examples, which are a splendid argument. He told us of one war veteran who gave him the best

he had, which was a collection of old coins, and I suppose that war veteran had handled them over and over again, and loved them and talked about them often. Then he told us of another soldier who was a caretaker in an armoury and gave freely twenty dollars a month. Then the minister said:

> With such examples to challenge and inspire us, I cannot believe that any man in Canada will complain about his burden, or by greed, panic or selfish fear, betray his Canadian citizenship in the hour of Canada's need.
>
> Britain is giving her blood, her treasure, her all.

We too will give our best to help make up this budget.

As the minister sat down, I noticed that very few members were reading newspapers, which would have struck me as an act of sacrilege at such a time. I noticed, too, that very few members were sleeping—and it is a mark of a great preacher to keep his congregation awake.

There are some things which the budget suggests to me, Mr. Speaker. Of course, one sees through the eyes of one's constituents. I can see an opportunity for developing at the head of the lakes a great iron ore industry. It is standing there inviting those who have the ability and the cash to come along and develop it. I think the government should pay a bounty of one or two dollars a ton on iron ore in the same manner that subventions on coal were granted to help Saskatchewan and Alberta. I will also mention now, as there are to be no supplementary estimates, that there is a dire need to keep our harbour open at the head of the lakes. Dredging that should have been done two years ago and last year was not done because the government wanted to cut down expenditures. The channel must be kept open for shipping, and if there are any accidents to ships coming in or going out, the government will be liable to some extent.

At the head of the lakes we have also a splendid shipbuilding yard, with two ships almost ready to launch and another with her keel laid. We have grain elevators, the largest and best filled that one can find anywhere. We have pulp and paper industries, and a great shipping centre. We have there the Canadian Car and Foundry company, which built the first Hurricane fighter that was built in Canada, and it stood the tests all the way through.

The minister in making his budget proposals certainly showed himself to be no respecter of persons because he made everybody pay who was earning anything worth while. We admit that the budget is hard on the bachelors; but this is leap year, Mr. Speaker, and notable bachelors will always be able to find somebody to help them out with their exemption, even if it costs something more.

I can see a sign of the times in this budget because it brings a leveling down. I have no trouble in convincing myself that when this war is fought and won, there will have to be a considerable change in our economic system so that every able-bodied man in Canada will have something worth while to do to earn his bread and keep a cosy corner of his own.

I ask myself, what is the cause of all this war? The lawyer would say, broken laws and broken treaties. The business man would say, hunger for trade. The doctor would say, disease and sickness in the life of the nation. But a minister of the gospel accustomed to call a spade a spade would say that the cause was disobedience of the laws of God and disregard of the brotherhood of man. The old law emphasizes "thou shalt not". "Thou shalt not kill." "Thou shalt not steal." Another commandment is: "Remember the Sabbath day to keep it holy." Perhaps the cause of the war is that we have been leaving God out of our plans and out of our thinking. We need to examine the fundamentals again, and times like these certainly cause us to think. The other day I was reading the old book of Ezekiel, and I was convinced that when men and women place their trust in God and go out and keep their powder dry, they will win, and win in the right way.

Not long ago our great king, not only the king of Great Britain but the king of Canada, called in all the churches of the commonwealth for a day of prayer, and I do not think since Easter have our churches been as well filled as they were on that day. I wonder how many men and women and how many ministers looked for an answer to their prayers that day. But when the British army was hemmed in at Dunkerque there came the announcement across the seas that it was nothing short of a miracle that the British army got out so well.

When I consider the purpose of our custom of observing the Sabbath day, that is, for worship and rest and the upbuilding of body and mind, and then when I reflect how too frequently that day is spent, I suggest that we need to rethink along another line the matter of Sabbath observance. We in Canada have a habit which has cost us about $180,000,000 this past year. I have yet to hear an hon. member in any quarter of this

chamber lift his voice in protest against the wasting of that money. Admittedly I would rather see a man take a drink than have him sit on one side of the fence and act on the other. I know that once I took a little drop of cognac, real brandy. I had a bad throat once and the doctor said, "You should have a good gargle." All the other gargles failed, so I resorted to the cognac and gargled it, and I nearly choked.

Mr. MacNICOL: Did the hon. member spit it out?

Mr. McIVOR: The doctor said, "You allowed a little drop of it to trickle down, and that did the trick." In that traffic we spend $180,000,000 a year. Why do hon. members not dare to protest against the drink traffic? I can tell you, Mr. Speaker. We are scared of losing the votes of the supporters of beer parlours. I am scared too, but not into silence.

Let me close upon a more hopeful note, a note of confidence in the morale of our country and the courage of our soldiers. I may be pardoned for reading an extract from a letter which I received from a young lad, an acquaintance of mine who is now in the air force. The men of that force may or may not be better than others, but I know them to be great lads. This is the extract:

> The war news looks bad, but it looks as if it is up to the air force and the navy now, and that is where we shine. As long as our leaders stand up and show real common sense I am not a bit afraid of what the air force will do. There is nothing here but the will to fight, and I know that the boys will do their part.

That indicates the character and calibre of our air force; they will give a good account of themselves and chase the Hun and his leader back again ere long into that railway coach.

As I think of these youths, of Canada and its educational institutions, of our citizens who strive for the benefit of mankind, of the welcome extended by the press to news of the churches and reports of all good movements; as I see the Christian home and the old Bible restored to their honoured place, with the Bible used as a guide to life, not for superstitious reading; as I think of our Christian manhood and womanhood more steadfast than before in its trust in God, I cherish the hope of a glorious commonwealth greater than anything this world has ever known, in which God will be first and every good thing will have its rightful place.

At six o'clock the house took recess.

[Mr. McIvor.]

After Recess

The house resumed at eight o'clock.

PRIVATE BILLS

ALBERTA PROVINCIAL BANK

Mr. J. H. BLACKMORE (Lethbridge) moved the second reading of Bill No. 26, to incorporate the Alberta Provincial Bank.

He said: There are several reasons why this house should proceed forthwith to give this bill second reading and refer it to the banking and commerce committee. Among the reasons which might be mentioned are, first, that the premier and cabinet of one of the provinces of this dominion have petitioned that this bill be enacted. This is a most unusual event in the history of Canada. Again, the government at present in power in Alberta is there definitely for the welfare of the common man. It set out with a proposal to give a dividend of $25 a month, however absurd that might seem. It set out also to give a fair price for primary and secondary products. Obviously both these proposals are in the interest of the common man. I feel, then, that I am justified in saying that the government is there primarily in the interest of the common people of the province. Again, that government has managed the affairs of Alberta unusually well. There has been no increase in the provincial debt since the Social Credit government took office. According to the best information I am able to obtain, Alberta is the only province in the dominion in which that is true.

There has been a constant effort on the part of the present Alberta government to be realistic. It has endeavoured first of all to adjust debts so that they might eventually be paid. The principle which it has espoused and so energetically followed has come to be recognized pretty well all over the dominion to-day, namely, that debt should be adjusted to the ability of debtors to pay. The same is accepted as being true of interest. Everyone realizes to-day that it is utterly absurd to hold men to an interest rate of seven or eight per cent when money is being obtained at a rate of three-quarters of one per cent. The Alberta government has consistently striven to reduce the interest rate to a point at which it is possible to pay it, and then it has endeavoured to pay that rate honestly and without fail. It has been unable to meet all its obligations when they came due, with the result that there has been default, but there was no blame to be attached to the Social Credit government for that default. A

situation had been built up for years which was completely impossible for them and which would have been impossible for any government of any name that could have been elected in Alberta.

The government since it was elected has given the province sound management. It has saved a good deal of money for the people of Alberta. It has collected taxes well. It has increased the revenue of the province. For example, the oil returns of the province have increased $732,000 a year. The revenue from automobile licences has increased $760,000. The income from petroleum and natural gas rentals and royalties has increased $786,000. Liquor sales have yielded $930,000 more. There have been great savings to taxpayers on the insurance of government cars and government buildings, the total savings in three years being $111,104.74. They have organized a central purchasing board through which all the purchases of the government are made. Through that central purchasing board they hope to be able to save $400,000 a year. Between July 1, 1939, and February, 1940, they saved $260,000. In addition to these considerations, they have paid their interest promptly; they have paid off millions of dollars of the savings certificates which were hanging about their necks like a millstone when the government took office; in a general way they have done a good job of housekeeping in the province, building fine roads, improving the health of the people greatly, encouraging industry, endeavouring to refund the debt of the province, and in every other way that they found available they have managed the province well.

I should like to read a quotation from a letter which I believe will be of interest. The Alberta government from the time they took office tried to refund the debt by every means which was possible to them, but they were unable to have a refund of that debt.

One of the firms with which they were working was the Municipal Bond Company of Los Angeles. Mr. Harold B. Reed, representative of that organization, wrote to Mr. Low, the provincial treasurer, on March 4, 1940, a letter in which appeared these words:

> I presume that by this time you and your colleagues are in full swing of the fight to return your government to power and I am convinced that you will make a good account of yourselves. From the situation as I know it, you can be proud of the accomplishments which you have made in the matter of the finances of the province—

I break off there to ask if hon. members suppose this man knew what he was talking about. He had access to all the provincial records; he examined with great care the financial position of the province, because he was counting on undertaking, with his associates, the refunding of the Alberta debt of over $160,000,000. It was very likely that he knew what he was talking about; his words, therefore, should carry more than ordinary weight:

> —and despite criticisms to the contrary, you have the strength which comes from the knowledge of having done well a difficult job. Even though the debt readjustment may still be a matter of uncompleted business, nevertheless I think it has been conducted in such a manner that it should be relatively easy of final accomplishment once the elections are over and the Rowell report is issued.

Those words carry tremendous weight; they indicate that this man was completely satisfied after his investigation. It may be asked what bearing this has on the passage of this bill. I say it has important bearing, because it indicates the sort of men who are in charge of the affairs of Alberta, who have asked this government to give them a bank with which they can proceed with the rehabilitation of the province according to the principles in which they believe.

Alberta is in a very difficult position; another reason why this matter should be given consideration. It has a heavy debt. It is a province of primary producers, in the main, and therefore subject to serious fluctuations in the prices of primary products. The tariff incidence is particularly heavy on the three central western provinces, and the freight rate is especially onerous to the people of Alberta. As they say, the freight rates "get them going and coming." Their land settlement problem is grave, because land settlement was carried on under the direction of the dominion government. As a result, large numbers of people were allowed to settle in areas that were too dry for settlement, that part of the province which falls within the Palliser triangle. There was a great deal of scattering out of the people, giving the province a heavy administrative task with respect to roads and other social services; Alberta has, for example, to care for ninety thousand miles of road. An extremely difficult situation awaits any government in that province.

All the provinces are in trouble now; everyone realizes that. The Rowell commission was appointed to investigate conditions as between the provinces and the dominion, manifestly because the dominion realized that there existed a grievous problem and a grave situation. The dominion itself is in serious trouble. How we are all going to get out of the trouble no one would even dare forecast at the present time. It behooves us, therefore, to give earnest attention to the

proposals of any group of thoughtful, careful people in this dominion. For a good many years Alberta has been eager to be self-supporting, to relieve the dominion of the burden and to stand on its own feet. Surely any group of people having that attitude ought to be given all the assistance they can safely be given.

The people of Alberta ask for this bank. Can we in reason deny their request? I believe every one in this house at the present time realizes that there must be a change in our economic system. I believe I have heard more men express that idea in this house in the last week or so than in any previous two years since I have been here. What form is this change to take? We cannot agree on it. Many hon. members do not agree with the people of Alberta; yet I do not think any hon. member would be so reckless as to say that he positively knew the people of Alberta to be wrong. They may be right. If they are right, if they have the right solution, then surely hon. members want to know it. If they have not the solution, then I am sure all hon. members wish to give them every opportunity to go forward and prove to themselves that they have not. Then they will be satisfied, and so will the rest of the people of Canada.

The proposed bank is safe. All the rules and restrictions which apply to the conduct of the ordinary bank will apply to the proposed bank for Alberta. Thus all the guarantees will be there to safeguard the deposits of the people; all the guarantees will be there to safeguard the people of the dominion against inflation and other abuses to which banks might be addicted. The bank is to be publicly owned. The shareholders are to be the people of Alberta, through their government; the directors are the members of the cabinet of that province as it may be constituted at any given moment. Therefore it is an ideal publicly owned bank. It is not to go beyond Alberta in its operations; therefore it is strictly an Alberta bank. Anything that happens to it or because of it will affect the people of Alberta and nobody else, at least directly.

Mr. MARTIN: How will it compare with the Ontario savings scheme?

Mr. BLACKMORE: I think it would be better to have that discussion in the committee, where we shall be prepared to answer all questions. I am afraid we would take up too much time if we carried on that discussion here.

Inflation will be rendered impossible because of the fact that there are abundant goods in Alberta, it being one of the richest provinces in the dominion. The currency issue possible is strictly limited by the banking laws of Canada, which also strictly limit the credit issue. Some may be afraid that Alberta will borrow from the bank. The province is going without borrowing and is committed to the policy of refraining from increasing the provincial debt. Therefore I think I can safely say that the government of Alberta will not try to borrow from this bank. I repeat that the credit issue is limited, so there can be no possibility of inflation.

Finally, the bank is to exist only until 1944. Surely no serious damage can be done, either to the people of Alberta or to the people of the dominion, in such a short time. Some may feel that probably serious damage could be done; but let us bear in mind that the people of Alberta are alive and alert. They exercise influence on their government, just as do the people in any other province of this dominion. It is a foregone conclusion that they are not going to tolerate any foolish behaviour on the part of their government, no matter what that government may be. Anyone who has been in Alberta will know that, and of course anyone who has not been there will not know it.

Some may object to public funds being used for the $500,000. But let me recall the fact that the present provincial administration in Alberta has saved the province $500,000 over and over and over again. Therefore there need be no anxiety on the part of anybody in Alberta because of the fact that his money is going to be used for that $500,000.

In Alberta there is a central purchasing agency which, as I said a few moments ago, is saving $400,000 a year. At the rate it was going in February it undoubtedly will do that. That alone will supply the money which is to be used from the public fund. A moment ago I mentioned the great savings effected from liquor management.

Another aspect of the matter worthy of our attention is that the people of Alberta need banking facilities. The number of banks in the western provinces which have closed in the last few years would, I believe, surprise hon. members. Between December 31, 1929, and July 31, 1935, there were ninety-two bank branches closed in Alberta.

Mr. ROSS (St. Paul's): Banks or branches?

Mr. BLACKMORE: Bank branches. In Manitoba forty-nine were closed, and in Saskatchewan, 160. Between December 31, 1929, and December 31, 1939, there were closed in Alberta 130 branch banks; in Manitoba, seventy-five, and in Saskatchewan 222.

Let us remember that people need banking facilities. If our present chartered banks are unable to give the facilities so vital to the economic welfare of our people, surely some government agency, somewhere, must take steps to deal with that situation. Alberta has taken such steps. In order to provide banking facilities, the Alberta government has established treasury branches which, to a surprising degree, have been successful. They have decreased unemployment and increased business. The Alberta government bank is designed to aid the treasury branches in accomplishing their good work.

There is a further matter bearing on an Alberta bank which I suggest is worthy of the attention of the house. In 1938 the Hon. Charles A. Dunning rose in his place in the house and in the hearing of many hon. members now present offered to give Alberta a bank. Hon. members will find his offer at page 1861 of *Hansard* for March 30, 1938.

An hon. MEMBER: Read it.

Mr. BLACKMORE: I do not think it would be well for me to take the time of the house to read it; but it is there for anyone to read. In effect he said that if we would follow the rules contained in the banking laws of Canada, we could establish a bank in Alberta, and that he would gladly help to give us a charter. The proposed bank does follow the rules—every one of them.

Another matter of importance is this: The Prime Minister of Canada (Mr. Mackenzie King) promised he would keep his hands off Alberta. I believe when he made the promise he intended to keep it. This is one instance in which he can give Alberta somewhat of a free rein. The Conservative party, under the Right Hon. R. B. Bennett, were favourably disposed towards Alberta. On several occasions that great statesman signified his sympathy for Alberta, and did what he could to assist her. For a long time in Canada the Cooperative Commonwealth Federation have advocated a publicly owned bank. Under those circumstances I would expect this bank to commend itself to them.

So that in the discussion of this bill we shall not have to use all the time allotted to the discussion of private bills, may I say in closing that all the details any member may wish to have can be obtained before the banking and commerce committee, to which this bill should be referred. Before that committee we shall have responsible ministers of the crown from Alberta who will be ready to answer any questions any hon. member may wish to ask, and who will be prepared completely to satisfy whosoever may desire to go into that committee. That is the type of committee to which this house sends difficult tasks for careful consideration.

Inasmuch as there are on the order paper other bills awaiting discussion, and as there is not a great deal of time for the consideration of private bills, I shall close my observations by asking that hon. members permit this bill to be turned over to the banking and commerce committee for careful examination and consideration.

Hon. J. L. RALSTON (Minister of Finance): Mr. Speaker, I have listened with interest to the observations of my hon. friend, and I should like immediately to deal with what he has mentioned last, namely, his reference to what was said by my predecessor in office, the Hon. Mr. Dunning. From what Mr. Dunning said on that occasion I shall read two extracts, the first of which is as follows:

> I suggest that in all seriousness, and I shall do the best I can to facilitate the formation of such an institution, within the four corners of this Canadian bank act.

The second extract is as follows:

> True, they will have to come to this parliament for a charter, and I shall tell them here and now that if the social crediters of Alberta comply with that statute with which all other Canadian chartered banks have had to comply, and with which they must comply to-day, I for one shall be pleased to do all I can to facilitate the passage through this house of a bill granting a charter to a social credit chartered bank.

I am afraid that in the measure before the house the hon. member has not brought himself within the terms of the assurance given at that time by the Hon. Mr. Dunning. It does not come "within the four corners" of the Bank Act, nor does it "comply with that statute." I do not wish to take the time of the house at any length, because I propose to indicate that the government feels that at this time this bill should not have second reading, but it would be prepared to propose, in amendment, that the bill be not now read a second time, but that the subject matter thereof be referred to the select standing committee on banking and commerce, for consideration and report.

The outstanding feature of the bill—and I may say there are several unusual features in it—is that, entirely at variance with the provisions of the Bank Act, which provides for the election of directors by the shareholders, and the consequent election of a president, it purports in effect to make this parliament the rubber stamp of the premier for the time being of Alberta, in this way, that parliament shall now state, if the measure receives support in the other place, that, "The

members of the executive council referred to in section 1 of this act, shall be the directors of the bank." The members of the executive council are of course chosen by the lieutenant-governor on the advice of the premier.

Section 1 reads:

> Those persons who are for the time being members of the executive council of the province of Alberta are incorporated under the name of "The Alberta Provincial Bank" hereinafter called "the bank".

May I point out that this section does not come within the terms of the Bank Act. The Bank Act provides for individuals, whose names are placed before parliament as incorporators and whose responsibilities and banking experience can be ascertained, being incorporated after due examination by the house and by the committee. This bill provides, in effect, that at the will of the premier of Alberta, no matter who that may be, those whom he recommends to the lieutenant-governor as members of his executive council, automatically are to be the incorporators and shareholders of this bank. This is a considerable departure from the provisions of the Bank Act. Without being facetious at all, one might just as well consider the incorporation here and now of the board of trustees of any church or the committee of any club or the officers of any society, who may for the time being happen to be in office, as the incorporators and directors of a bank, and these directors would change automatically whenever the trustees, or committee men or officers change. I am quite satisfied that the house will realize that there is at least grave doubt as to whether that procedure is the procedure called for and contemplated by the provisions of the Bank Act.

It seems to me that that is the outstanding feature of this bill and the one which ought to be considered carefully before the bill is given second reading. It is an anomaly, it is unusual, it is unique in the history of banking legislation to have parliament place its seal of approval upon a body of men as organizers, incorporators and operators of a bank, simply because they happen for the time being to be holding a particular office, no matter how high that office may be. It seems to me that that feature should be enough to indicate to the house why this bill should not be given second reading at this time, but that the subject matter should be carefully examined by the banking and commerce committee.

As hon. members will have noticed, section 7 of the bill indicates quite clearly that this bank is not to be a bank "within the four corners" of the Bank Act, to use Mr. Dunning's words, but is to be a bank in respect of which a great many of the sections of the Bank Act are not to apply. Without dealing at any length with these exceptions, may I just mention one or two. Section 14, from which this bank is to be excepted, prohibits the issue of bank notes until the approval of the treasury board has been obtained. That section is out. Section 15 requires that a certificate shall be procured from the treasury board with regard to the amounts to be paid in with regard to the incorporation and organization of the bank and the list of unpaid liabilities. This section also provides that the treasury board certificate is not to be granted unless the treasury board is satisfied that the requirements of the Bank Act and of the special act of incorporation with regard to the organization and incorporation have been complied with, and that the expenses of incorporation and organization are reasonable. This section also is not to apply.

Section 16 provides that if the treasury board certificate is not granted within one year, all the powers of the bank shall cease. It is provided by this bill that these sections are not to apply to the bank which it is proposed to incorporate. Section 20 of the Bank Act sets out the minimum qualifications of a director. A director must be the sole owner in his own right of shares of the bank on which $3,000 has been paid up, when the paid-up capital of the bank is one million dollars or less. He must be the sole owner of shares of the bank on which $4,000 has been paid, when the paid-up capital of the bank is over one million and does not exceed three million dollars. A director must have stock to the value of $5,000, when the paid-up capital stock of the bank exceeds three million dollars. That section is not to apply to the proposed bank. Section 23 of the Bank Act reads:

> The directors, as soon as may be after their election, shall proceed to elect, by ballot, from their number a president and one or more vice-presidents.
>
> The directors may also elect by ballot one of their number to be chairman of the board and one to be honorary president.

But that section is not to apply to this bank. Instead of that this bill provides that the lieutenant-governor in council may appoint one of the directors the president and another the vice-president of the board of directors of the bank. He may also fix the quorum of directors for the purpose of a directors' meeting. I do not think I need trouble the house at greater length with regard to the other provisions of the Bank Act which are

excluded in their application to this particular bill. I know my hon. friend will not regard me as treating this matter lightly if I do not go exhaustively into the details of the bill now, but I do submit that because of the first feature I have mentioned, namely, the proposal that we shall here and now incorporate whoever happens to be selected from time to time by the premier of Alberta for the lieutenant-governor as his executive council to be the directors of this bank, and that the lieutenant-governor in council is to be given the power to elect the president and other officers of the bank, this matter is one which ought to be considered seriously by the banking and commerce committee.

We are not asking the house at this stage to refuse further consideration in connection with the bill, but rather asking to have the subject matter of the bill discussed before the appropriate committee. May I point out that several rather grave constitutional questions are involved. There is the question whether the dominion parliament can make a banker out of the lieutenant-governor in council of the province. That I submit is a serious question. There is also the question whether parliament can compel the lieutenant-governor in council to undertake the business of banking, which is what is proposed to be done here. For these and other reasons which I could give, I trust that the hon. member will accept the amendment which I propose to move. I move:

That the bill be not now read a second time, but that the subject matter thereof be referred to the select standing committee on banking and commerce for consideration and report.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, I have only a few words to say about the amendment and the motion now before the house. I am not going to oppose the amendment, but I suggest to the minister that his course is not a courageous one. Either there is a need for this bank, or there is no need. There is a principle involved that should receive the consideration of the government and this bill should go through the house or it should not go through. I shall not make any observations at this time as to the contents of the measure beyond saying that if you eliminate the provisions of twenty or twenty-five sections of the Bank Act from this charter, you are not going to have a bank, you are simply going to have a department of the provincial government of Alberta. I think the minister should have discussed the principle involved in this measure rather than have it go to the banking and commerce committee where it may be buried in oblivion and never return to this house. That is likely to be the fate of this bill.

The government, through the minister, should have a policy with respect to applications for bank charters, whether made by the province of Alberta or by any other group of individuals. I well remember when my friend, the late Hon. J. A. Robb, was Minister of Finance and an application was made by a group of gentlemen from my own province for a charter for a bank to be called the Eastern Bank of Canada. The very first consideration which, if I remember correctly, Mr. Robb took into account in connection with that application was the question of the necessity for a new bank in eastern Canada. He questioned very closely, not the bona fides of the applicants, but the necessity for establishing a new banking institution down there having regard to the services that were being performed by the old-established chartered banks in that part of the country. I think he would have refused the application if I had not made a personal appeal to him myself on behalf of the incorporators, who were not particularly friendly to me, by the way, on the ground, first, that they believed there was the necessity for a new chartered bank and, second, that they were quite capable of underwriting the whole initial $500,000, or whatever the initial paid-up capital was to be. On that basis the charter was granted, but it never became effective because unfortunately the chief promoter died quite suddenly and that ended the scheme.

With regard to this bill I have no objection, as I said at the opening of my remarks, to having it referred to the banking and commerce committee, but I warn my hon. friends to the left that it will be the burying place for this bill. We can see *requiescat in pace* written on it right now—R.I.P.—it will never emerge from that committee, and certainly it never should in its present form. I will say that, and I will content myself with that.

Mr. G. H. ROSS (Calgary East): Mr. Speaker, since I represent an Alberta constituency and feel strongly that it would not be in the interest of Alberta to pass this bill, I think I should set forth some of my reasons for opposing it.

In the first place I challenge the statement of the hon. member for Lethbridge (Mr. Blackmore), the leader of the Social Credit group, that such a bill as this had the approval of the former Minister of Finance, Mr. Dunning.

The object of this bill is to create a bank. The capital stock of the projected bank is to be issued to and vested in the provincial treasurer of Alberta in his official capacity, and shall be held by him and his successors in office on behalf and for the use of the

province. The directors are to be those persons who are, for the time being, members of the executive council of Alberta. Therefore the charter is being applied for by the corporate body known as the province of Alberta. It is to be a provincial bank pure and simple. The stock is to be owned by the bank and the directors are to be members of the executive council of the province. Mr. Dunning never offered in this house to assist in the creation of a bank owned and operated by a corporate body known as the province of Alberta. What he did was to offer to assist a group of Social Crediters should they wish to incorporate a bank and comply with the provisions of the Bank Act. Let me read his words, from *Hansard* of 1938, page 1861:

My suggestion is that inasmuch as the Social Credit movement boasts considerable strength in one province of the dominion, and from that point of view at least, the provincial point of view, is a movement of major dimensions, those who believe—

Mark these words:

—that the banking system can be employed to put into effect the Social Credit theory and that the banking system has unlimited privileges such as have been outlined by my hon. friends, have within the four corners of the Canadian Bank Act the opportunity of their lives. All they have to do is, of themselves—

Not the province, but the Social Crediters who wish to put their theories into effect.

—to form one of these institutions which we call a Canadian chartered bank. The procedure is all set out in the law. True, they will have to come to this parliament for a charter, and I shall tell them here and now that if the Social Crediters of Alberta—

Not the corporate province of Alberta, but the Social Crediters.

—comply with that statute with which all other Canadian banks have to comply and with which they must comply to-day, I for one shall be pleased to do all I can to facilitate the passage through this house of a bill granting a charter to a Social Credit chartered bank. In that way my hon. friends would have, under their own control, all of the privileges, and it is my duty to point out also that they would have all the responsibilities of a Canadian chartered bank.

Later on he says, at page 1862:

Any group of citizens in Canada may come together for the purposes outlined in the Bank Act of Canada.

Any group of citizens, not a corporation.

I am suggesting to my hon. friends that they are a group of citizens in Canada; that those in Alberta who adhere to their theories are citizens of Canada, and that as citizens of Canada believing in the Social Credit doctrine they can see to it that only those who believe in that doctrine may have any control or say in the chartered bank they may form.

[Mr. G. H. Ross.]

So that it was an offer made not to a corporate body, the province, but to a group of Social Crediters of the province; and I have no doubt that if a group of Social Crediters applied to-day for a bank charter, complied with the provisions of the Bank Act and put up their own money, the application would receive the sympathetic consideration of the house. But to-day these men want to put their hands into the treasury of Alberta and use the money of the province to finance and carry on this institution. Mr. Dunning never offered to assist any such proposition.

Banking differs from other businesses in that bankers handle money for other people on a very large scale. As the money is being handled for others on a very large scale, an additional duty is imposed upon this house when an application comes before it, to see to it that the persons who are to be entrusted with the handling of the money are persons who are qualified and who will probably make a success of banking. In the past successful public enterprises of this type have been organized quite differently. A separate corporation would be set up with a board of directors who were familiar with the business to be transacted by the corporation. The directors would be selected because of their sound business judgment and because they would be likely to make a success of the business to be undertaken. They were usually appointed for fixed periods and were subject to supervision by the government that granted them incorporation. The Hydro-Electric Power Commission of Ontario and other successful corporations were organized in that way.

But in the proposal before us the experience of ages is cast to the winds. The directors of the proposed bank are to be those persons who are for the time being members of the executive council of Alberta. Even the president is to be chosen from among them. None of them is a banker, and none has had any experience or training in business that would qualify him to be a director or manager of such an institution. There is no provision for continuity of policy or management. The government may change two or three times in the course of a year. If it does, the board of directors of this bank changes two or three times in the course of a year. Each board will have its own ideas as to how a bank should be run. Much experimenting will be done with the depositors' money. Hard-earned savings will be frittered away in carrying out foolish experiments. Are we going to be parties to such recklessness? Furthermore, they do not want to apply to this bank

section 30 of the Bank Act which provides for the removal of directors for maladministration or other just cause.

Let us examine a little more closely the record of the first directors of this projected bank. Their past record should be of assistance in determining whether they are fit and proper persons to manage such an institution.

To secure election in 1935, Mr. Aberhart, the present premier of the province, promised a dividend of $25 a month to each and every adult in Alberta. He also promised interest-free production loans of $1,500 to each producer. Some of the people were bold enough to inquire of him where he was going to get the money to operate this bank and where he proposed to get the money to make these loans. He told them in all sincerity that he was going to do it with a fountain pen and entries in books which he would keep for this purpose. All he asked was eighteen months time within which, presumably, to train the fountain pen.

After their election the first step towards reaching their goal was to indulge in a covenant-signing crusade. The covenant signers were asked to turn over each year one-half of their crops to the government to help pay for this $25 a month dividend.

Mr. JOHNSTON (Bow River): Where does the hon. gentleman expect to go when he dies?

An hon. MEMBER: Alberta.

Mr. ROSS (Calgary East): Several signed the covenant, but rumour has it that they first transferred their property to their wives. Then they took good care to see that their wives did not sign. The covenant-signing campaign collapsed after costing the province $10,000. By this time the farmers of Alberta had begun to realize that dividends did not depend on fountain pens and book entries but that they had something to do with the farmers' crops.

Then came a prosperity certificate proposal, a certificate intended to take the place of money, a scheme devised to get credit into the hands of the consumers. They managed to get rid of much of this spurious money among the public. It is to be noted, however, that none of the members of the government had sufficient faith in the scheme to accept any part of their pay in this spurious money; they required when they were paid to be paid in the coin of the realm. After thousands of dollars were spent on prosperity certificates, the scheme was dropped.

The Aberhart government then imported two experts from England: Powell at $12 a day and a bonus of $4,000; the other expert, Byrne, was given a ten-year contract at $6,000 a year. These men conceived it to be their duty to make a frontal attack on the banks. The idea was to control the banks by placing them under the domination of a social credit board, the members of whom knew nothing whatever about banking. They ignored the fact that banks come under federal jurisdiction. The necessary legislation was enacted by the province of Alberta, but it was duly vetoed by the dominion government.

Having failed in their attack on the banks, they opened up a number of treasury branches throughout the province. At last they visioned their utopia where the fountain pen would play its full part. These treasury houses are still being extended from time to time. The more houses they open, the more money they lose. Already they have cost the province more than a million dollars.

Mr. Aberhart and the other members of the executive council have for years been proclaiming that banking is a racket, that credit can be extended indefinitely by making book-keeping entries with a fountain pen, and that the issue of unlimited credit is the key to prosperity. His government have defaulted in $12,000,000 of Alberta bonds and $6,000,000 of provincial savings certificates. They have arbitrarily repudiated one-half of the interest rate payable on Alberta's debts. And these defaults and repudiations were not dictated by necessity; they were done deliberately and gloried in as representing real statesmanship.

The hon. member for Lethbridge (Mr. Blackmore) in the course of his remarks complained that many branches of banks throughout Alberta were being closed. Can any one wonder at the banks closing their branches under such circumstances?

Mr. BLACKMORE: Mr. Speaker, would the hon. member permit a question? Did he notice that far more banks closed in Alberta before the Social Credit government went into power than closed afterwards?

Mr. JAQUES: And what about Saskatchewan?

Mr. ROSS (Calgary East): The interest cut was held illegal by the judicial committee of the privy council, but the government is now defying the courts by hiding behind the immunity which a government enjoys of not being suable without its consent.

(Expiry of hour for public and private bills.)

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed consideration of the motion of Hon. J. L. Ralston (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Coldwell.

Mr. VICTOR QUELCH (Acadia): This afternoon, just before the leader of the opposition (Mr. Hanson) took his seat he made a plea to hon. members in this corner to restrict their discussion of this budget. I would suggest that the leader of the opposition would have been in a better position to make that appeal if he had lived up to it himself and if the hon. member for Danforth (Mr. Harris) had already done so. I make that statement because the leader of the opposition and the hon. member for Danforth have monopolized in their discussion of this motion over five hours of the time of the house. Therefore it is hardly being logical or consistent to ask us at this time to limit our contributions to the debate.

In discussing the budget it is necessary to keep in mind that it is a war budget, and that in time of war the major objective becomes that of winning the war and defeating the enemy. All the resources of the nation must be organized to that end. This means that great sacrifices will have to be endured. It therefore behooves the government to see to it that those sacrifices are imposed upon the people in the most equitable way possible. It is absolutely essential that during the war we maintain a high morale among the people in order to build up the will to win. Such a spirit is usually built up over a number of years. It is not usually prevalent among a people that have been ground down by poverty, misery and want, unless it can be shown that that condition exists as a result of the nation being deprived of a fair share of the resources of the earth. In such case of course the people will be willing to fight to change that condition.

But that is not the position of Canada. We have almost unlimited resources. In spite of that we have had a great deal of poverty, misery and unemployment in this country during the past ten years. Can a people who have been in this unhappy plight be enthusiastic about fighting for a continuation of such a condition? Unfortunately that is the only course which has been or is presenting itself to many people since the declaration of war. Despite this handicap, a high morale and a fine esprit de corps would prevail among the Canadian people if there were strong leadership; but unfortunately that has been sorely lacking in Canada during the past six years. If under strong leadership immediate evidence were forthcoming that we were putting forth our maximum effort and at the same time insisting upon the greatest equality of service and sacrifice, I believe that confidence could quickly be restored in this nation. Would anyone in this house be so foolhardy as to suggest that either of these things has been accomplished during the past ten months, or since the declaration of war? Ten months after the declaration of war we still have men in Canada pleading for the opportunity to make some contribution in this war. Industry is fighting to obtain orders. Now by this budget we are given to believe that all this is to be changed. For instance at page 1014 of *Hansard* we find this statement made by the Minister of Finance (Mr. Ralston):

> Financial provision can be made and will be made for whatever it is physically possible for us to produce or to procure in the way of war services, supplies and materials. The limits of our effort are not fiscal; if there are any such limits they are physical, mental and moral—by that I mean the physical limits of our resources and the mental and moral capacity of Canadians to bear burdens and make sacrifices.

I would congratulate the Minister of Finance upon that statement. But it is comical to find that statement appearing in the budget speech. For the past five years we have advocated that principle in this house, and have always been ridiculed for stating, as we have on various occasions, that anything that is physically possible and desirable can be made financially possible. Last year in the banking and commerce committee the governor of the Bank of Canada stated that that was true, and now we find it stated in the budget speech. We have referred to the fact time and again in this house; we have pointed out that it has been physically possible during the past six years to increase greatly the production of this country, to establish a higher standard of living so that people would not have to go on relief. No one would dispute that. The governor of the Bank of Canada agrees that what is physically possible and desirable is financially possible. Therefore the only conclusion we can come to is this, that since it was physically possible to make a higher standard of living available to the people of Canada, and since it was financially possible, the only possible reason the government had for not doing it was that they did not consider it desirable.

The Prime Minister (Mr. Mackenzie King) has always been fond of expounding fine principles in this house. Unfortunately he has

failed miserably in putting them into effect. I am not surprised that the hon. member for North Battleford (Mrs. Nielsen) stated this afternoon that she did not believe various statements that were made by this government. How could anybody believe that the various policies that they enunciate today will be put into effect, in view of the stand this government has taken time and again in the past? Have the people of Canada forgotten the statement made by the Prime Minister in 1935 that currency and credit would be made available in terms of public need to meet the domestic and social requirements of the Canadian people? Would any hon. member dare to say that that promise has been carried out? Have we forgotten the policy propounded by the Prime Minister at the outbreak of the war, and again on May 20, when he made this statement as recorded on page 46 of *Hansard*:

> The unprecedented threat to the allied powers and ourselves must be met at once by immediate action. Production must be accelerated to its limit. Training must be intensified.

Does anyone suggest that that has been carried out during the past ten months? Can it be said that production has been accelerated to the maximum, while we still have thousands of men in Canada pleading for a chance to take part in the country's war effort? During the past five or six years, while Germany has been busily engaged in amassing war materials and thereby reaching a strong war footing, we have been busily engaged in amassing credit and gaining a so-called strong financial position. While Germany said in effect, "To hell with money" and spent itself into a strong warlike machine, we have been busily worshipping at the shrine of money and saving ourselves into a state of insecurity. I say that because wars are not fought with money, they are fought with men and materials. Germany had the materials by September of last year, and we apparently had the credit. But credit is merely faith in our ability to deliver goods and services as, when and where required, and unless goods can be delivered when required, that faith is destroyed. I wonder how long the people of this nation will continue to have faith in a system which for the past five years has wrecked the lives and health of thousands upon thousands of the people of this country, and in the past few months has seen nation after nation destroyed under the iron heel of fascism.

In peace time we have urged that production should be maintained at its maximum, or at least at a level sufficiently high to provide to the people of Canada a decent standard of living. We have repeatedly presented the physical picture, showing that industry was only producing at less than fifty per cent of its capacity. We have pointed out that this dominion has great natural resources barely touched, large reserves of energy and a large surplus of unused labour in the form of the unemployed, and in addition a large favourable balance of payments, a position of which we might well be proud but for the fact that on the other side we had a million or so people on the verge of starvation and destitution. And repeatedly we have asked in this house this question: Why should we not put the unemployed to work in the industries that are working only part time, and thereby produce the goods of which the people are so greatly in need? We always failed to get a reply to that question. Many hon. members have risen in their places and tried to place the blame upon industry. They have stated that industry should have had more confidence; that industry should have expanded and employed the surplus labour. I would point out that you cannot blame industry. If industry was not able to sell its restricted production, how could it possibly have sold its production if it had expanded?

We have stressed the reason for this condition, and it is necessary that we should understand it at this time in discussing the budget. We have contended that this condition is due to the fact that industry is not self-liquidating; that industry, owing to certain practices that are inherent within the system, does not create an effective demand for its own production except in times of abnormal capital goods production, and during the past ten years capital goods production has been sorely lacking. We have stressed the fact that if the Canadian people are going to be put in a position where they can buy the production of the country—and I think the house would agree that the only point in having production is in order that you may have the consumption of it—then we must maintain a certain definite relationship between the production of capital goods and the production of consumption goods. That relationship is this: You must have at all times a sufficient volume of capital goods production so that the salaries, wages and dividends paid out in that production will be at least equal to the deficiency of purchasing power which exists as between the total prices of consumer goods and the monetary demand against them. If that equilibrium is not maintained, it will mean there will not be an effective demand against the production of the country. Production will become restricted;

unemployment will increase and you will find yourselves in the vicious circle of deflation. We therefore contend that it is necessary for the government to take such steps as may be necessary to maintain that equilibrium by instituting national projects such as road building, reforestation, slum clearance, the elimination of level crossings and so forth.

On the other hand, in time of war we have an entirely different situation. The production of armaments means an increased production of capital goods. In turn, that means an increased demand against consumption goods. So long as we can increase production to satisfy the demand for war purposes and at the same time satisfy the demand for consumption goods, there can be no justification for increased taxation. It is only after the maximum capacity has been reached that it will be necessary to increase taxation. Otherwise excessive taxation is bound to result in an actual retarding of production. If there should be in Canada certain commodities of which there is a scarcity, for instance such commodities as are paid for by foreign exchange, and it should be desirable and necessary to reduce the demand against those commodities, I maintain that the only sound way to do that is by rationing rather than by attempting to reduce the purchasing power of the people by a heavy increase in taxation, because, when you reduce the purchasing power of the people by wholesale taxation, as exemplified in this budget, you are going to retard and so restrict the demand against the commodities of which we have a surplus. In the near future we shall probably have a great deal of trouble in selling our primary products, because we have lost a number of our markets in Europe. What is going to be the result of this budget? It will further increase that problem and further restrict the demand against commodities of which we have actually surpluses in this country at the present time. This is called a war budget. Certainly it is not a patriotic budget, because it is going to retard our productive capacity; it is going to restrict the demand against goods of which we have a surplus, and therefore make it so much harder to expand our production.

During the past five years I have pointed out that our production has been restricted ever since the Liberal party came into power in 1935. I have pointed out how the Minister of Finance, instead of following the policy laid down by the Prime Minister in 1935—that is, that currency and credit would be made available in terms of public need to meet the domestic and social requirements of the Canadian people—has been attempting to reduce the expenditure by the government to the amount procurable from the pockets of the Canadian people. The result has been the restriction of production in the face of actual, physical want. Whilst Germany was busily expanding her production to the maximum, the minister's deflationary policy kept thousands of people in Canada idle, although we could have very well utilized the services of those people to build up our defences and increase the production of commodities so that the demand created by the money paid out for the strengthening of our defences would have been satisfied by the goods produced by industry.

So, Mr. Speaker, I would say that those people in this country, in England and in France, who have been guilty of this financial policy of restriction in the face of the great armament production that was going on in Germany, have been more guilty of treachery to these nations than many people who have been actually paid servants of Hitler. There is no question of it. I think we all realize to-day that Germany has gained her successes not by superiority of man-power but through treachery in various forms among the allies. Not the least of those acts of treachery were those policies imposed upon the allied nations under which it has been impossible to expand our production to the extent to which it should have been expanded. We had idle men; we refused them the right to work, while Germany was making every man work to the maximum in building up the greatest war machine the world has ever known. What was the situation here? We had half a million men unemployed. Am I not justified in calling that the greatest act of sabotage Canada has experienced? Those men who have been responsible for our financial policy during the past six years are the grand saboteurs of this country. The other day the hon. member for Parry Sound (Mr. Slaght) said we should hang people guilty of treachery. I said then, and I say now, that we should make sure we hang the right people.

On the other hand it is interesting to note how Germany, a country that was destitute and without capital in 1932, has been able to build up one of the greatest war machines this world has ever seen.

Mr. MARTIN: And at what expense to the people!

Mr. QUELCH: I am going to deal with that.

Mr. MARTIN: I do not mean financial expense.

Mr. QUELCH: I was in England two years ago, during the crisis of that time, and I met a friend of mine who had just come

back from a six weeks' tour of Germany. That was not a Cook's tour; he and his friends took a car and travelled through the country. He said generally speaking they found contentment in Germany. That was in 1938; since then there has been a big change. The standard of living has been reduced very considerably, and I am going to explain why. When I am dealing with the financial policy of Germany, however, I hope no hon. member will think it necessary to rise in his place and ask me if I am advocating fascism or nazism. Our policy is the very essence of nazism. Nazism believes in centralization of power; we believe in the decentralization of power. Nazism believes in the greatest possible regimentation; we believe in the greatest possible freedom. But I would ask this: Just because Germany uses tanks, would it make us nazis if we used tanks also? Just because Germany uses dive bombers, are we nazis if we use them also? When the Prime Minister asks this parliament to grant him dictatorial powers, does that make him a Hitler? Because we have conscription and Germany has conscription, does that make us nazis. Therefore, if Germany has had a sane monetary system in the past few years, I am not advocating nazism, I am sure, if I advocate that we should have adopted a similar financial policy.

I am going to quote from a speech made by Doctor Schacht formerly president of the Reichsbank. This speech was made on November 29, 1938, to the Deutsche Akademie. It was entitled "The Financial Miracle," and from it I quote the following:

> The public finances of Germany were in a hopeless state in 1932. Every increase in tax rates only caused a decline in revenues.

And I would especially refer that statement to the Minister of Finance. Doctor Schacht continues:

> Those symptoms of economic collapse were of necessity reflected in an unexampled social distress. A shocking proof of this are the statistics of unemployment, which in the winter 1932-33 exceeded the six million mark and which together with the invisible unemployed amounted to about seven million.

That is the condition which existed in Germany in 1932. In the article Doctor Schacht points out that Hitler called him and told him he wanted to put into operation a financial system which would make it possible for Germany to expand her production to the maximum. Then he goes on:

> All government assistance was from the very beginning used to bring about a rise in production, first in a so-called work creation programme through credit assistance for reconditioning, repairs and similar things, and afterwards through the great armament programme which was steadily expanded. The extent of this programme and of the autohighway construction which was undertaken soon made it clear that these two tasks alone would be sufficient to overcome the existing unemployment, so that the other work creation measures soon became superfluous.
>
> Naturally this work creation and armament programme could only be set under way by the state and could only be carried out by financing on a large scale. No capital at all was available for this financing. In fact money creation had to be helped along. . . .
>
> The fact that the newly created money would be covered by newly created goods was not the only point; the type of goods also had to be considered. Simply expressed, the problem was as follows: The credit money, made available for the armament programme, produced a demand for consumption goods, in so far as it was paid out in the form of wages and salaries. However the armament manufacturers deliver military goods which are indeed produced but not consumed. This leads to two conclusions: First, care must be taken that in addition to armament production, a volume of consumption goods is produced which is sufficient for the needs of the population, including all those working for rearmament and, second, the less consumed, the more workers can be allotted to armaments.

The point I bring particularly to the attention of hon. members is that they did not reach maximum production until 1938. Up to 1938 they were expanding their production of war material and consumption goods. Therefore at that time they were able to put forward the maximum war effort, and at the same time maintain a comparatively high standard of living. Then he goes on to say:

> Spring 1938 brought a change in our finance policy, because at that time German economy had reached a stage of full employment. As soon as an economy has made use of all available labour and materials, any further credit expansion is not only senseless, but actually harmful. For then newly created money can no longer effect a further increase in goods production but can only bring about competition for the available labour and raw materials; and such a competition must necessarily lead to an increase in prices and wages.

Mr. MARTIN: They ultimately disagreed, too.

Mr. QUELCH: At least we can judge by results in Germany.

Mr. MARTIN: But Doctor Schacht ultimately disagreed.

Mr. QUELCH: No, I do not think he did. He was placed in a position of even greater importance than the one he held at that time. As a matter of fact, he was promoted because of work well done.

Mr. MARTIN: The hon. member must mean subordinated. It is not correct to say that he was promoted; Doctor Schacht was actually demoted. He was taken out of control.

Mr. QUELCH: He was placed in control of foreign exchange affecting Germany, Italy and Japan. Surely that is an important position.

If our production were geared up to its maximum capacity, then it would be necessary to increase taxation. But such is not the case to-day. Our production can be greatly expanded, and to-day we are faced with the difficulty of disposing of a great many of our primary products. To expand taxation at this time is bound to mean a restriction in demand against production of primary products. We have lost a number of our markets, and by this form of wholesale taxation, as suggested in the budget brought down by the Minister of Finance, we are just adding to the difficulty of making a distribution of our primary products among our people.

Again I say that if there are certain commodities in Canada which are considered to be scarce, which have to be purchased with foreign exchange, then surely the logical thing to do is to ration those commodities so as to make sure of a fair distribution, rather than cut down the income of all people, and thereby reduce the demand against those commodities which can be produced in abundance. Therefore I say it is not a patriotic budget, but rather one which will actually retard production at a time when we should be expanding production to its maximum.

With these thoughts in mind I move the following amendment to the amendment:

That the amendment be amended by adding thereto the following words:

"Furthermore this house is of the opinion that there should have been no increased tax burden placed upon the consumer until Canada attain maximum production of desired commodities or full employment by issuing through the Bank of Canada, currency and credit in terms of actual public need."

I hope the Prime Minister will not take the same attitude to this amendment as to the one moved a few days ago. This amendment I would point out is different. It refers to taxation and production. May I quote at this time what the Prime Minister said only a few days ago respecting the Bank of Canada:

Those who are voting for this amendment are voting to give the government power to relieve itself of all responsibility of financing Canada's war effort simply by passing an order which will enable it to transfer that whole responsibility to the Bank of Canada, an institution which has its home in this city.

And again:

We shall be ridding ourselves of all responsibility for what is required in the way of finance to carry on Canada's war effort, and we shall be turning it over to a single institution which is located on Wellington street not far from these houses of parliament.

How many would agree with that definition of the Bank of Canada? Do we recall the statement made by the Prime Minister in 1935 respecting the need for a Bank of Canada, in order to control currency and credit in terms of public need? To those who remember that statement, what must they think of the definition I have just read? When I heard the Prime Minister's statement the other day I was amazed. As a matter of fact I believe I might say I was thoroughly sickened to think that a prime minister of this country when speaking to the members of the House of Commons could be guilty of such puerile nugacity.

Perhaps hon. members recall what was said last year by the former Minister of Finance about the Bank of Canada. Last year he stated that parliament, through the instruments it had created, now effectively controlled currency and credit, day by day, week by week, month by month; furthermore he stated these instruments were the Bank of Canada and its directors, and that this parliament through the Bank of Canada controlled currency and credit. Yet the Prime Minister states that the Bank of Canada is an institution on Wellington street, and that if we place responsibility of finance in the hands of that institution, we would be evading all responsibility. Yet, I repeat, according to the former Minister of Finance, we control currency and credit through that institution. Undoubtedly we have a definite responsibility for the activities of that institution. Perhaps I might be allowed to quote a few words from a speech made by the Prime Minister on August 2, 1935. He said:

Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of parliament and of democracy is idle and futile. To regain for the nation what has been lost and to secure a properly constituted national central bank, will continue to be a first objective of Liberal effort.

He said it was a conspicuous and sacred responsibility to control currency and credit through the Bank of Canada, and yet to-day he says it is an institution on Wellington street and if that institution finances the war, we would be evading all sense of responsibility. I do not think the Prime Minister is doing credit to himself or to this government when he indulges in equivocations of that kind.

The budget shows that large sums will be needed in addition to the amounts to be secured by taxation. They may be secured in three ways: by borrowing the savings of the people; by borrowing from the chartered banks, which means monetary expansion; or by borrowing from the Bank of Canada, which

also means monetary expansion. If we are to borrow the savings of the people, it will simply mean that this government takes the stand that we are responsible for providing a safe investment for the people. Although we have what might be called a smoke screen by which we try to convince the people that they are financing the war through their purchases of savings certificates, we all realize that the greatest proportion of bond issues will be purchased by financial corporations rather than by the savings of individuals. When we finance by borrowing the profits of corporations, it merely means that we are placing a levy for all time against the people of Canada in order that a tribute may be paid to a small class of society.

On the other hand, we have the power which we should exercise of issuing what money we need through the Bank of Canada. That is what the people believed was the purpose of the formation of this bank. The Minister of Finance may suggest that if we finance in that way it will mean increasing the amount of cash in the tills of the chartered banks, thereby making it possible for them to increase their loans and thus bring about inflation. That charge was made by the former Minister of Finance. I would stress the fact that it would be an easy matter to amend the Bank Act in order to compel the chartered banks to increase their cash reserve requirements, thereby preventing that expansion.

If the minister should contend that the banks could not operate on that basis, that there would not be sufficient profit for them, then I say what I have said before on many occasions: We should nationalize our whole banking system. Personally I am in favour of that. When men who are directors of banks and also directors of industry, have the power to expand their loans up to ten times the amount of their cash, it means that we have given them the power to effect the price level to their own advantage. I do not think that is a satisfactory state of affairs. Credit is a national matter, and it should be controlled absolutely by the people, for the use of the people.

Mr. CLARENCE GILLIS (Cape Breton South): Mr. Speaker, I regret that I cannot conform to the wishes of the leader of the opposition (Mr. Hanson). I feel that I must take up some of the time of the house in an endeavour to place before it my opinion of the budget as well as the opinion of the people whom I represent in this parliament. This budget does not impose many new direct taxes, but the poor of this country must still continue to pay the indirect taxes which were in effect, such as the sales tax, as well as the new import duty of ten per cent which is imposed upon the necessities as well as the luxuries of life. I have not much to add to the position taken by this group on the budget. This has been made clear already by the hon. member for Rosetown-Biggar (Mr. Coldwell) and others.

It is significant to note that although the income tax exemptions are being placed quite low, the wage-earners and farmers of this dominion still come within those exemptions. This indicates quite clearly how low the income of our people actually is. The income of an average wage-earner in Canada is probably little above the exemption for a single man, namely, $750 a year. According to figures I have seen, the average farm income is even less than that, being about $500. These new exemptions will indicate that many of our people are in receipt of incomes much lower than is required for a minimum decent standard of living. My guess is that these exemptions will cover the majority of our people.

As far as the miners of Nova Scotia are concerned, they have already suffered a serious reduction in their standard of living. Their wages have remained stationary since the outbreak of the war, while, according to information which I have received as recently as yesterday, their standard of living has been reduced by about thirty per cent. I am in receipt of a resolution outlining the views of 5,500 organized miners in that section, and they claim that their cost of living has increased approximately thirty per cent while wages have remained stationary. They have lost that amount of purchasing power which, in the final analysis, is really wages.

The budget also proposes a two per cent income tax against wages. During the depressed days from 1929 to about 1934 the coal company in that particular section, which employs practically all of the gainfully employed men, was in the habit, where a man lived in a company house and purchased his coal from the company, of waiving the rent. During a time when the government of this country and many charitable organizations were providing money for the alleviation of distress caused by unemployment and part-time unemployment, coal and rent bills were piling up against these miners. Work has picked up somewhat since 1934, but these large debts had accumulated and they are now being deducted from the envelopes of the men. I assume from the budget speech that the income tax will be based upon the total earnings of these men and no deductions will be allowed for these back payments. This tax will be assessed against the total wage

without allowance being made for the payment of a relief bill, as it were, to the coal company.

It is significant to note that while the income tax is quite steep, a man with an income of from $10,000 to $50,000 still has a handsome income left after all taxes have been paid. However, it is with the corporations of the country that I desire to deal particularly this evening. A few days ago there was an editorial in one of the Ottawa papers to the effect that the big industrialists and financiers had forced France into capitulation. In this great hour of trial, democracy must be made to work so that the morale, faith and determination of our people will remain steadfast in the days that lie ahead. For the common people democracy can be made to work effectively only to the extent that they are given an opportunity to solve their problems cooperatively, only to the extent that monopolies and huge corporations are investigated and controlled by government for the public welfare. If this is done, our own people will be given renewed hope and vigour, and the people now under Hitler's heel will be given a living example of democracy at work.

I have already said once in this house that in my opinion and in the opinion of the people of Nova Scotia, that province is largely in the hands of and dependent on the Dominion Steel and Coal Corporation. But hon. members do not have to take my word for it. In a brief dated March 10, 1934, H. J. Kelly, Vice-President and General Manager of Dosco, stated:

> According to the records of the workmen's compensation board, this company and its subsidiaries pay approximately 40 per cent of the total industrial payroll of the province of Nova Scotia in normal times. It is estimated that at least 100,000 people are directly affected by the operations of this company and indirectly the whole population of Nova Scotia is affected.

In company with all the other workers employed in the Dosco mines, I watched the development of the corporation. It received its charter in 1928. In 1930 it took over the properties of the British Empire Steel Corporation and since then it has acquired various other companies and properties. To-day we find that Dosco owns and controls some twenty-six companies. As a result of purchases and financial reorganizations, this monopoly now controls:

Coal mines in Cape Breton county (north and south of Sydney harbour), in Pictou county and in Cumberland county, Nova Scotia.

Iron ore mines, containing about one-sixth of the world's iron ore, at Bell island, Newfoundland.

[Mr. Gillis.]

Steel plants at Sydney and Trenton, Nova Scotia.

Steel car works at Trenton, Nova Scotia.

Shipyards, marine railways, et cetera, at Halifax, Nova Scotia.

Steel fabricating plants and fence manufacturing and steel wire plants at Walkerville, Ontario.

Wire and nail manufacturing plant in Toronto, Ontario.

Rolling mills and steel wire plant in Montreal, Quebec.

Coal docks at various St. Lawrence ports.

Coal shipping steamers.

Railways in Cape Breton and Cumberland counties, Nova Scotia, and a switching and junction railway at Walkerville, Ontario.

Wire, nail and galvanizing plants in Saint John, New Brunswick.

The only large steam electric power plant in Canada, at Glace Bay, Nova Scotia.

Timber limits in New Brunswick and Quebec.

The total assets of Dosco and its subsidiaries at the end of 1939 appear to have been in the neighbourhood of $80,000,000.

All through the years from 1928 to the present, when mines were closed up and families thrown on relief, when the workers were persuaded to accept cuts in wages and had to be satisfied with part-time work, Dosco and its predecessors kept buying up various companies. Thus in 1928 Dominion Steel Corporation bought the Peck Rolling Mills.

In 1930-32 Dosco bought the Canadian Bridge Company, and its subsidiaries, and Canadian Steel Corporation from the United States Steel Corporation.

In 1937 it bought Graham Nail and Wire Products.

In the same year Dominion Coal bought the Cumberland Railway and Coal company from Dosco for $1,000,000. I am a worker and cannot be expected to understand the mysteries of modern legal and financial manipulations, but the workers would like to know why it was necessary for the coal subsidiary to buy a railway and coal company from the parent company.

In 1939 Dosco bought the Sarnia Fence company.

Why were all these purchases made? Who owned these companies formerly? What was their record of earnings and what were the prices paid? It should be remembered that on the board of directors of Dosco are men like Sir Herbert Holt, Mr. G. H. Montgomery, Senator Webster, Mr. J. H. Gundy and Mr. J. A. Kilpatrick, who have their fingers in many industrial and financial pies in this and other countries. I am not saying that Dosco

has at any time done anything improper. I do not know. But I do say that we should have more information on these and other transactions. There should be a thorough investigation of the records and history of this monopoly which, according to its own vice-president, affects directly and indirectly the life of all the people of Nova Scotia.

Hon. members may not know that a royal commission investigated part of the situation in 1926. It found many millions of dollars of watered stock in the companies which later became part of Dosco, although it is only fair to say that the Dosco reorganization seems to have squeezed out most or all of the water in the old companies. The same commission also found that the coal company used to sell its coal to sister companies at fire-sale prices, thus reducing the earnings of the coal company and depressing the wages of the miners. According to the report of the Duncan commission in 1932, this improper practice had also been abandoned by that time. The point, however, is that the knowledge that such things were done at one time gives rise to suspicion that other things may have been done since. It is no use indignantly denying it. It is the government's duty to learn the facts and to act on them.

I should like on this question to quote from the *Financial Post* of March 30, 1935, a statement made by Colonel G. S. Harrington, at that time premier of Nova Scotia. The *Financial Post* says:

> He said that the new issue of $25 par value preferred stock was "pure, unadulterated water," while the market value of the stock had been manipulated so that large fortunes had been made by "some gentlemen in this province."
>
> "Some gentlemen have made fortunes out of this. It is extraordinarily unfortunate at this time, when labour wants its share in the earnings, that there should be stock manipulation."

I think Colonel Harrington should be an authority on that question because he has taken a great deal of interest in the coal industry in Nova Scotia ever since I have been employed by this company, and I have considerable respect for his judgment in matters of this kind.

In 1938 a royal commission under Mr. Justice Carroll investigated the Acadia Coal company, a subsidiary of Dosco. I wish to quote a few findings and statements of the report of this commission which appeared in the spring of last year, 1939:

> Your commissioners readily admit their inability correctly and accurately to dissect or untangle intricate matters of accounting; but this at least may be said, that from the year 1925 until the end of 1932 the Acadia was in a comfortable position financially, and showed a surplus during those years of from $460,219.42 to $1,076,060. That is shown by schedule "B" which apparently means that the company had a balance at credit during those years which amounted to $583,630.25 at the end of 1932. During that period there was paid as dividends on first and second preferred shares of Acadia the tidy sum of $334,770.41. One of those dividends, amounting to $148,382.25, was paid on December 31, 1928, notwithstanding that the profit shown for that year amounted to only $100,976.28.
>
> Schedule "C" indicates some rather startling facts. In 1925, when the loss of Acadia is shown to be $128,469.66, the Scotia company took from Acadia cash to the amount of $1,921.21. In 1932, when the loss of Acadia is shown to be $180,174.38, the Scotia company obtained from Acadia the sum of $724,895.87 cash; and on the 19th of January, 1933, the day that the receiving order was granted against Scotia, that company received from Acadia the sum of $20,000 cash, and on that day the memorandum shows that the Nova Scotia Steel and Coal Company owed Acadia Coal Company a total of $1,703,410.81 . . .
>
> There was nothing illegal from the point of view of authority in the various matters of borrowing the dividend payments already mentioned. In fact it cannot be said there was anything illegal in those transactions from any point of view. Legality of action, however, is one thing, and preserving and safeguarding the industry and all that that implies is quite another thing.
>
> It is therefore the considered view of your commissioners that some legislative action should be taken in regard to the powers of holding companies.

None has been taken.

To some people this story may be just another story of accepted financial manipulation. I know that this story affected human lives. The result was that the entire town of Thorburn became a ghost town and a thousand souls became destitute.

Only to-day, from that particular section, I received a letter from a lady. I should like to read part of it, because it has a bearing on the matter of the manipulations referred to in the report of the Carroll commission:

> I am writing to you as a last gesture of a number of destitute and starving people.
>
> It would be too long a story to try to tell you half, and it is unbelievable in this dear land of ours—what we have suffered since the government took away our employment. Now there is not even desultory road work—and no direct relief—since three weeks, only for sixteen party people. Over 100 got nothing.
>
> * * *
>
> Dozens of committees have gone to Halifax and also to Ottawa. No one will come and no one will listen. We have no one to help us, when all we ask for is work and some way to once more earn our living.

That comes from a little mining section which was closed as a consequence of the manipulation which is mentioned in the report. It is seven miles from New Glasgow; it has no railroad and is practically in the wilderness; the houses are tumbling down;

there is no lighting system; and people who have given the best years of their life to the development of the industry are in great distress. In my opinion the enterprise was scrapped by high finance.

I say that the federal parliament is directly concerned in this matter. From 1897 to 1939 this parliament granted to the various companies which were later combined in Dosco a total of about $20,000,000 in bounties, subsidies, subventions and the like. In addition to this direct aid, a large portion of the eight and a half million dollars or so paid to the railways in the last ten years to assist in the movement of Canadian coal to central Canada has gone to help Nova Scotia coal. This is an indirect assistance to Dosco, since it widened its markets at public expense. These figures still leave out of account the enormous benefits granted the industry through the tariff, tax exemptions and the like. Thus the ten per cent import duty proposed by the present budget will, in effect, act as a subsidy to the coal industry.

I am not arguing that this assistance should not have been given or should be stopped. I said the other day that the miners of Nova Scotia appreciate this assistance very much. But I do say that it is the duty of this parliament and the government to make sure that the assistance goes to improve the condition of the workers and people of Nova Scotia and that it is not misused for the enrichment of the owners of the industry or wasted through inefficiency. Down to March 31 of this year Dosco had received some $4,407,000 in war orders. Is it not our duty to investigate thoroughly the record of this corporation and its present standing? If the people of Canada are to go on providing public money to assist this enterprise, is it not time they took it over and ran it for the benefit of the workers in it and of the community generally?

Mr. SPEAKER: Order. I made a ruling the other day with regard to the reading of speeches. The hon. member is apparently confining himself very closely to his manuscript.

Mr. GILLIS: Mr. Speaker, I was simply endeavouring to do what I noticed has been done by almost every hon. member who has taken part in the budget debate. The minister himself, when he presented his budget; the leader of the opposition, and practically everyone who has spoken to-day has, and I think correctly, used notes.

[Mr. Gillis.]

Mr. SPEAKER: The other day, when I was making a statement on this subject, the Prime Minister (Mr. Mackenzie King) asked whether it referred to ministerial statements. I said no, that the practice and the custom of the house had been to allow ministerial statements to be read. The leader of the opposition is in somewhat the same position; he to-day was giving a statement which appeared to be on behalf of the group of which he is the leader. No other hon. member who has spoken to-day has used his papers to the same extent as the hon. member who has just taken his seat. I would ask that he desist from doing so.

Mr. GILLIS: Thank you, Mr. Speaker. I am endeavouring to make a statement on behalf of the people I represent, on a very complicated question, and the information I am giving is not my own. I have endeavoured to present it through various documents, such as the *Financial Review* for 1939, the *Financial Post,* and different sources of information from which I have selected this material. At this particular time I am following closely the information contained in these documents because I do not want to make any statements which are not in accordance with the facts. But I have not any intention of reading my speech so far as it consists of the comments which I intend to make upon these notes.

Mr. SPEAKER: I do not think there would be any objection to the hon. member reading from documents which he wishes to quote, but so far as I have seen, much of that part of his speech which he has been reading has been in the nature of comments on the documents and figures which he has quoted. I would ask the hon. member, when he is quoting, so to state, and then to continue his speech in his own words.

Mr. GILLIS: Thank you, Mr. Speaker. Finally, I want to put on the record what the miners of Nova Scotia have to say about the situation in a brief which their union has prepared and which was presented by the miners to the conciliation board that is sitting at the present time in Pictou county and endeavouring to iron out the situation there. This is what they say:

> In determining the amount of wages payable we believe that in the past the human factor has been required to take second place and that profits, dividends, and investment earnings have been given first place, and have been the principal aim and concern of the management. Perhaps that is natural under our economic system, yet we believe that there is need for a change. What is demanded of the workman is his labour, and when he has given that he

has cooperated with the owners by giving all that is demanded of him. The workman does not share in the management of the industry, he does not control its policy or direct its destiny, he does not decide what dividends shall be paid, what borrowings shall be made, what expansion or development shall be undertaken; has had no voice in deciding corporate set-up, appointment of managers, or directors, or affiliations with other industries. He gives his labour, others manage the industry. Sometimes an industry fails due to factors over which the management has no effective control and often it fails as a result of bad management. In either case the workman is not responsible for the failure. He has given his labour, he has done what was demanded of him, and having done so, he should be the last to suffer, and he should not be obliged to suffer if his suffering can be avoided by action within the control of the management.

It is said that investors are entitled to a return on their money invested. We cannot agree that that is always so. Often the money invested is surplus money which the owners do not require for the reasonable needs or even luxuries of themselves or their families, they have it to spare and have invested it in order to make more money. Often, too, the money is inherited, money not earned by the investor. We believe that a reasonable living wage for the workman who gives his labour and who needs such a wage in order to get even the minimum requirements of subsistence should take precedence over earnings on such invested capital, and that profits and returns on invested capital should not be regarded as more important than payment of proper wages.

That is the principle which we support. I believe that this is the principle which the people of Canada support. But I know from my own life and from the lives of thousands of other workers in Nova Scotia that the opposite principle has been applied in practice. As a result, the people of my province have no confidence in the corporation which controls them.

We must win this war. To win we must have the whole-hearted cooperation of the workers of this country. They are ready and anxious to give that cooperation. But wealth must be made to pay its share. Monopolies should be investigated and controlled. Otherwise they will make fortunes at the expense of the people.

My endeavour in presenting the case as I have at the present time is to bring to the attention of the government and particularly the Minister of Finance a situation that now exists in Nova Scotia. The Dominion Steel and Coal Corporation is a large corporation that controls the destinies of twenty-six other companies with ramifications throughout eastern Canada. Since I have come here, telegrams, letters and resolutions have been sent to me and, I believe, to other hon. members of parliament, demanding that something should be done in Nova Scotia with respect to an investigation into the management and general financial structure of this corporation. The action now taken by the government for the purpose of probing for a solution is in my opinion misleading and not going to arrive at any permanent solution.

At the present time there are four conciliation boards set up in Nova Scotia, bound by certain terms of reference, beyond which they cannot go. I think the terms of reference relate to the ability of the respective subsidiary companies of the Dominion Steel and Coal Corporation to pay the wages demanded, on the basis of their earnings for the past year or two. While these conciliation boards may serve some purpose and have done so in the past, in my opinion they are not going to serve any purpose, or will serve very little, at the present time. After thirty odd years of experience working for that corporation and its subsidiaries and dealing with them through the medium of unions and so on, I believe that the people of Nova Scotia generally, not only the miners, have completely lost confidence in the word of the people who head that organization, and are sceptical as to what will come from these conciliation boards. What is now required is an exhaustive survey carried on under the jurisdiction of the federal government into the financial structure of that corporation and labour conditions under its management. The boards that have been set up are in my opinion not able to do that because of their terms of reference.

For the past eighteen months the miners all over Nova Scotia have been endeavouring to come to some understanding with the corporation on the question of wages. We have been signing contracts now for a period of thirty years. In this war effort every endeavour should be made by the company with respect to both signing agreements and carrying them out and pushing that industry to its highest capacity, because coal and steel are necessary war commodities. The steel operations are in just the same position as the coal mining. For the last two years the steel company at Sydney and the workers have been at loggerheads; no agreement, no understanding, spasmodic strikes, lack of confidence and general demoralization. The brief presented by the Carroll commission should have a thorough investigation from the federal government, in view of the fact that the federal government is paying relief to people left destitute by virtue of the manipulations as shown by the commission. For the past six or seven years the people of Nova Scotia have been endeavouring to present their case

before some responsible body that will try to find a solution for a problem which affects practically all the people of Nova Scotia, because steel and coal are basic industries of that province and ramify into every phase of its economic life.

Mr. H. E. BRUNELLE (Champlain): The present debate gives members of this house an opportunity to make general observations, and I wish briefly to avail myself of that opportunity. The budget now before this house is such that if anyone did not previously realize what it means for this country to be at war, he must realize it now. Several new and heavy taxes are imposed; other taxes are increased, and yet it appears we must face a large deficit. And apparently the worst is yet to come. But we must carry on and make the best of the situation. Things that could be said or suggested in normal times cannot be expressed now for fear of hurting someone's tender feelings. But only one thing matters, that is to win the war into which we went voluntarily and of our own accord. However, the present war, terrible though it may be, does not mean, even if we were to lose it—which God forbid—the end of the world. But, I hasten to say, it might mean the loss of some privileges which we cherish very much. Yet, in spite of everything, at the end of hostilities the people in general, and our youth in particular, will expect to live normally and in reasonable comfort. I was pleased to note in the speech from the throne that the government is concerned with post-war conditions. That is why in that speech we have the following declaration:

> While the present session of parliament will necessarily be mainly concerned with Canada's war effort, and the measures essential to the achievement of ultimate victory, my ministers are of opinion that, despite what to-day is being witnessed of concentrated warfare, it is desirable, as far as may be possible, to plan for the days that will follow the cessation of hostilities.

In consequence we are to have unemployment insurance, in spite of many difficulties and obstacles which had to be met, and I am sure that the whole country, and the industrial workers in particular, will be very glad of it. Also some legislation has already been passed to assist youth training in conformity with the plan originated by the late regretted Minister of National Defence, the Hon. Norman Rogers, while he was Minister of Labour. But I think it is apropos to remark here that our Canadian young people must prepare themselves to earn their living, must equip themselves with special knowledge and particularly with those qualifications which more than ever are needed to enable them to compete with others. Ordinary training and education are no longer sufficient in this age of specialization. The young must study; they must learn; they must specialize in some branch of trade, work or science. In so preparing themselves, they will pave the way to their own success, and no one can do this for them as well as they can. Let our youth have confidence in themselves and cease to think of or count on outside protection or influence. The doors of our technical schools are open to them; day and night courses are available. I need not say that the appalling burden of the war will fall on the shoulders of youth or on the next generation.

I can speak only of the province from which I come, but I am afraid that immediate prospects for the employment of our young people in Quebec are not very bright, since up to the present industry has not come close to absorbing those available for employment. It was hoped that the sacrifices required by the war would be to some extent compensated for by additional industrial activity, but so far very few opportunities have been offered our unemployed. Of course the government is not to blame for this lack of industrial activity, which is a matter of private enterprise and individual initiative; but it is a pity that no practical, appealing and up-to-date plan of colonization has been set up in my province to prevent our farmers' sons from flocking to the cities, where they simply increase the number of men out of work. In Canada, a country that we call agricultural, it is not normal to have only about 40 per cent of the people residing in rural districts while 60 per cent live in the cities. I suggest that a conference of the dominion and the provinces be held without delay in order to devise a real back-to-the-land movement and a plan to keep on the land those already there, and to place more farmers' sons on new land under more favourable conditions.

I am deeply concerned with the youth problem, and I ask that every effort be made by the appropriate authorities to encourage the reopening of plants which in many instances have been closed since 1930. Some industries are working seven days a week but still have parts of their plants closed. I would rather pay these companies for employing people on relief than continue the payment of direct relief to these people. In order to encourage the sons of our farmers to take up new land, I suggest that eastern farmers should receive constant attention, particularly at this time when their production is so essential. Unfortunately the war has closed many of our former markets with the result that the prices of some agricultural products have fallen. This situation is liable to get worse

but, as I said in the beginning, we realize now what it means to be at war. No doubt this dislocation of our foreign markets was inevitable, but in my opinion something should be done for our eastern farmers. For instance, there is plenty of feed grain in western Canada being sold at very low prices; yet when that grain is transported to the east our farmers must pay very high prices for it, because of the high cost of transportation. Railway rates on grain sold to eastern farmers by western farmers should be considerably reduced. Since the war began the farmers in the east have been invited to produce more beef and bacon, the prices of which have not been as good as we expected. I repeat that the loss of our foreign markets due to the war has been the cause of the drop in prices of agricultural products.

Our efficient and capable Minister of Agriculture (Mr. Gardiner) already has done a great deal for the farmers of the east, who are grateful for his efforts to improve their lot. I am sure the Minister of Transport (Mr. Howe) would gladly cooperate with the Minister of Agriculture in reducing railway rates on feed grain from the west. Let the rates cover the cost only. The present rates are almost prohibitive, and in many instances the eastern farmer cannot afford to pay the price demanded for feed grain coming from the west. In view of their past contributions to assist others, I believe the eastern farmers are entitled to the benefit of some little sacrifice on the part of our railways or other groups and classes of our citizens who have profited from those contributions. At present the cost of transporting grain from the west is so high that the retail price of that grain in the east is not at all commensurate with the sales price in the west. Eastern farmers and their organizations should enjoy a lower freight rate at least on feed shipped to them direct.

Before I resume my seat I must touch upon another subject. Last September the sales tax was imposed, as a war measure, on the domestic consumption of electricity. It is not my intention to criticize the tax itself, but rather I would offer a suggestion as to the manner of levying that tax. I submit to the Minister of Finance that the tax is not fair to some taxpayers, inasmuch as certain sections of the country feel that they are being discriminated against. This was a new tax. I am sure the former minister never meant to impose a hardship on anyone or to create an injustice, but in my opinion an injustice has been created. The amount of the tax should be in proportion to the quantity of electricity used. As the law now stands, those who pay the largest tax are not always those who consume the greatest quantity of electricity. I happen to be president of an electric plant in Gaspe, and a little study has made it clear to me that the present tax on electricity is in fact a tax on the electricity bill whereas, to be fair to all, the tax should be on the quantity of electricity consumed.

The point I wish to make is that while electricity is standard in its nature, there is considerable variation as between the prices of electricity in different parts of the country. It happens that in some instances where the rates of electricity are highest, the people can least afford to pay the 8 per cent sales tax. And irrespective of their means and ability to pay the tax, those people who are fortunate enough to profit by hydro-electric plants, or by municipal electric systems, receive advantages which are not enjoyed by the consumers who live in areas served by steam electric plants, by insulated small waterfalls, or more especially by the big power plants which overcharge the consumers.

To illustrate my point I beg leave to quote from the publication *Electrical News and Engineering* published in Toronto on March 15, 1940. The quotation is as follows:

Based on the most recent report of the Dominion Bureau of Statistics, the per cent of total dominion domestic consumptions for each province is as follows:

	Per cent
Prince Edward Island	0·1
Nova Scotia	1·6
New Brunswick	1·2
Quebec	13·2
Ontario	58·5
Manitoba	15·1
Saskatchewan	1·8
Alberta	1·8
British Columbia and Yukon	6·7

Computing the revenue derived from the existing tax from the statistics showing the average monthly bill and the number of consumers as shown in the same report of the Dominion Bureau of Statistics, the proportion of taxes paid by each province is as follows:

	Per cent
Prince Edward Island	4·0
Nova Scotia	3·9
New Brunswick	2·9
Quebec	20·7
Ontario	45·2
Manitoba	7·9
Saskatchewan	4·7
Alberta	4·7
British Columbia and Yukon	9·6

From the above figures it will be noted that Ontario contributes 45 per cent of the total taxes for a consumption of 58 per cent of the total dominion consumption and Manitoba's share of the taxes is only 7·9 per cent for 15·1 per cent of the total consumption.

It will be noticed that Quebec pay 20·7 per cent of the total tax on electricity, and consumes only 13·2 per cent of the total kilowatt hours of the dominion. I ask the Minister of

Finance to devise a plan whereby the tax will either be placed on a kilowatt hour basis or will follow the block principle, namely, a decrease in the tax in proportion to the increase in kilowatt hours consumed. I feel sure at any rate that the Minister of Finance will find a more equitable way of levying the tax on electricity.

Mr. RALSTON: It depends on where one lives. The suggestion made by the hon. member might be complained about, by someone living at some other point, as being inequitable. The view taken depends on where one lives.

Mr. BRUNELLE: That may be.

Mr. RALSTON: If one takes it the other way, namely, to tax on the kilowatt hours, then the gentleman using a large quantity of kilowatt hours will complain that the tax bears inequitably upon him. I mention this because the hon. member suggests the tax should be imposed more equitably. Either way it is imposed, some person will feel he has a right to complain.

Mr. BRUNELLE: But if everyone were paying on a basis of consumption of electricity there would be practically no reason for complaint by anyone.

Mr. RALSTON: The other man may say that he would like to pay on the dollar basis, and would believe that that is the equitable ground.

Mr. BRUNELLE: Apparently there are two types of justice.

I have refrained from making any comment on the gravity of the war situation, because I believe up to this time practically everything has been said, and what has not been said is deeply felt in the heart of every Canadian.

Suffice it to say with reference to the mobilization measure which has recently been passed that I have never met a person in my constituency, or anywhere else, who has objected at all to the defence of Canada, or to the means to be taken to defend Canada in Canada. I would not need to say this, had I not in previous sessions disagreed with my friends in connection with war measures. But the situation is no longer the same. On the one hand the law itself restricts the compulsory service to the boundaries of Canada, and on the other hand there is an evident danger of attack in Canada.

In my opinion what has taken place in Europe, and the misfortunes of France justify the recent passing of the mobilization measure providing for the defence of Canada within Canada. Let every Canadian do his duty. I am prepared to do mine. I am at the disposal of the Minister of National Defence whenever and wherever I may be needed or useful—but for home defence only. I am always opposed, and intend to remain opposed to conscription for overseas service. To foresee and to be prudent is the duty of every representative of the people, and the mobilization measure which has recently been passed is one of prudence.

I have absolute faith in the Prime Minister of Canada (Mr. Mackenzie King). He is, if anyone is, a true Canadian. He is a steadfast and judicious administrator. Moderation, tact and sincerity are qualities he has always displayed in good as well as in bad days, and I am proud to say that no one enjoys to a higher degree or deserves more than he does my confidence and that of the people whom I represent.

I therefore without any hesitation support the budget presented by the government.

Mr. F. D. SHAW (Red Deer): Mr. Speaker, in rising to participate in the debate on the budget, it is my desire to make certain definite observations relative to a question which has not been dealt with to any great degree, namely the question of national health. I anticipate that in what I have to say hon. members, irrespective of party, and particularly hon. members belonging to the medical profession will stand shoulder to shoulder with me.

I should like to concentrate my remarks upon national health, and especially as it applies to children. Therefore, in making no attempt to cover the whole field of national health, I may be in a position to be brief. I hesitate to use the word "brief", because invariably when it is used someone shouts, "hear, hear." As a rule we hear that from an hon. member who has not time to deal with those matters with which he was sent here to deal.

I believe the presentation of the budget last week brought home to the people of Canada as it could have been brought home in no other way a supreme realization of the fact that we are at war. After all, I do not believe that there is anything in the world which will bring people to a complete realization of their responsibilities more quickly than the application of a tax. I am satisfied that we all realize the gravity of our undertaking. We do not want it thought that we have lost sight of the seriousness of the situation. We must above all else comprehend the responsibilities which are ours.

Unfortunately I am not satisfied that all hon. members really realize the responsibilities which are theirs.

I should like at this moment to read a short quotation, but before doing so may I say that it is the tendency of many of us to lose sight of the fact that we have more than one battle front. Some of our people, and unfortunately some of the members of this house, think of this war only in terms of what might be taking place in the North sea, in the Mediterranean or along the Maginot line, absolutely overlooking the fact that the greatest front, the front which ultimately is going to be the most important, is right here at home. I should like to read an article which appeared on December 2, 1939, on The Front Page of Toronto *Saturday Night* and which was reprinted in the *Canadian Welfare Summary,* December-January issue. It reads:

> The psychological task of this war is the task of endurance. This is not a time for the whipping up of temporary enthusiasm by preachments of a kind of hatred which even the Germans can only maintain for six months or a year at a time, and which Anglo-Saxons and French are utterly incapable of making the predominant motive of their acts for an even shorter period. It is vital to remember that the spirit of the country as a whole includes, to a much larger extent than we like to think, the spirit of those who, as a result of many causes but chiefly by their sheer ill-fortune and the hostile conditions of a difficult economic era, are dependent on the civilian health and welfare agencies for a considerable part of the food, clothing and housing which are necessary to keep them in spiritual and physical fitness. We have not only to defeat Germany, we have also to defeat a condition at home which prevents a large part of the population from making its proper contribution to the defeat of Germany or to the achievement of any other national purpose. War is at home as well as in the North sea and on the Maginot line. We cannot afford to lose sight of any part of the front.

After reading that article, I felt that it was my duty to deal with the home front. Being engaged in a conflict as we are, it is essential that our people be strong. The strength of a nation, in peace time and more especially in time of war, depends directly upon the health of its people. History has proven beyond all shadow of doubt that when the people of a nation decline to any degree, either mentally or physically, the glory of that nation is short-lived. A statement like that is irrevocable. I think it is high time that we started to take stock with respect to the health of our people. I do not intend to be unduly critical in what I have to say. That is not my purpose. However, if I were to speak without being critical, it is not likely that I would be here in this corner. Perhaps I may be excused if my remarks become quite critical at times. I do intend to be accurate. I do not propose to recite long lists of statistics, because my experience has taught me that no matter how carefully statistics may be tabulated, they are not always as accurate as we should like them to be, especially when they have to do with a survey of our health situation.

A few weeks ago certain hon. members made some observations relative to economic conditions which existed in certain provinces of Canada. I speak particularly of my hon. friends to my immediate right. Apparently they are determined to put their constituents first and their party last if necessary. During the discussion of a bill which it is hoped will bring a certain amount of alleviation to the distressful sufferings of our agricultural and unemployed people, they dealt in a large measure with the question of health, particularly the health of little children in the different constituencies. They painted a picture which was not unduly coloured, a picture which was absolutely correct. If all hon. members would be really honest, they could paint similar pictures of conditions obtaining in every province in Canada. When the hon. member for Mackenzie (Mr. Nicholson) was referring to the hunger and semi-starvation which existed among the little children of his constituency, the leader of the opposition (Mr. Hanson)—unfortunately he is not in his place but I must say what I am going to say—made this statement:

> I am distressed to hear him say that children go to bed hungry. Will he state that at any time during the last ten years, since relief was first instituted by the Bennett government, in September, 1930, anybody in Saskatchewan has starved or has been in actual want? I would be disturbed if that were the case. I know it was not the intention of R. B. Bennett and his government that anybody in Canada should be in want, and I cannot for a moment believe that it is the intention of anybody on the other side of the house since 1935 that anyone shall be in actual want.

Then follows this statement upon which I lay particular emphasis:

> I can scarcely credit such a thing.

When I heard the leader of the opposition make that statement, the thought came to my mind, are conditions in New Brunswick, from which province he happens to come, in such a satisfactory condition that he is unable to realize that conditions in a constituency as far removed as Saskatchewan are as they were represented as being? So in order to try to find out what the leader of the opposition was

really getting at, I made an investigation into conditions in certain parts of New Brunswick, and I quote what I am going to quote for the simple reason that I wish to show the house that the hon. leader of the opposition should have been able to credit what was said by the hon. member for Mackenzie, and furthermore to show the effect that these economic conditions have upon the health of little children. Let me make clear at once that I am not a member of the medical profession but I have spent over one-third of my life in rural areas, dealing with children, and after listening to the hon. member for Wood Mountain (Mr. Donnelly) the other day, I do not think one has to be a member of the medical profession to comment intelligently on questions of health.

I wish to quote from the report submitted by the Saint John Family Welfare Association after they had made a survey of conditions among two hundred families in the city of Saint John, New Brunswick, from which province the hon. leader of the opposition hails. When I speak of Saint John I have no pick on that city. I simply say to all hon. members: Be honest and you will admit that these conditions are not uncommon in all of our cities right across Canada, and if they are common in all of our cities right across Canada, surely you can believe the agricultural representatives when they say that these conditions are true of the rural areas. What I am going to quote may bring tears to the eyes of the most callous politician; I hope it does. I quote from the Saint John Family Welfare Association's report, which appears in the April-May issue, 1939, of the *Canadian Welfare Summary*, so this was only a very short time ago:

> A great many of the families were living in quarters actually unfit for human habitation; there was also overcrowding, suffering from cold, lack of clothing, bedding, cooking utensils and food.

Now for the hon. leader of the opposition:

> There was plain evidence of slow starvation among many adults and little children in this group—

I wonder if he believes it now.

> —and the ravages of diseases were apparent as attested by their medical and hospital records. Most of these homes were without bed sheets or towels and had less than half enough other bedding.

It would be bad enough if that were all, but that is only the introductory paragraph. It goes on:

> Some families had one bed for the family and no mattresses; a large number had exhausted supplies of cooking utensils and in some homes one pot was used for cooking and bottles for drinking, in absence of cups. In the remainder of the cases visited, the majority revealed evidence of considerable hardship, with undernourishment, and the results had affected a number of children. In almost every case visited, the family were existing very much below the minimum standard of decent living and without enough food or clothing.

Even that as a second paragraph would be bad enough, but I have more here:

> As many cannot pay rent, the result is very bad for both landlord and tenant. The record of evictions and seizures of furniture is particularly disastrous for little children of these families; other phases of acute distress relating to fuel scarcity, worn-out clothing, etcetera, might be given, but only a summary of major conditions can be shown here.
>
> Most housing conditions are squalid and unsanitary; a terrible lack of clothing, bedding and utensils. A large section of those visited had been evicted from three to six times a year. During the past two years, 50 per cent of these families had moved from three to twelve times.
>
> Of the families interviewed, 155 were in receipt of work relief and a great many were destitute and in desperate need.

I might mention that there were 200 families interviewed:

> The majority cannot be classed in much better condition.
>
> Slightly over 50 per cent have suffered from ill health and had hospital treatment during the last two years, having had from one to six members of the family in hospital at different times. According to a recent report by the district medical health officer on conditions, this was due because—

I point this out particularly:

> —"undernourishment, insufficient or inadequate food, acute and chronic illnesses, and poor hygienic conditions, have existed so long a time in the community that they are now presenting a most serious economic problem."

I could go on and on and on. But this, Mr. Speaker, proves that the leader of the opposition, knowing conditions in a city in his own province, should have had no difficulty in realizing the truth of statements made by western members with reference to undernourished and starving children. One of the greatest troubles, shall I call it weaknesses, of many members of this house, is that they do not know what conditions are actually like in their own constituencies or provinces. That is true of many, I feel quite satisfied; otherwise we would not have some of the statements which are made in this house. I was more than surprised when the hon. member for Wood Mountain said—and he was making a deliberate attempt to ridicule the members in this part of the house—"I hear people say, 'Oh, it is terrible the way people are suffering, without proper food'." That statement was made on June 21, as reported in *Hansard*. I

wonder if the hon. member, in view of what I have just read as to conditions in Saint John, realizes now that these men were speaking the truth.

Mr. RALSTON: If my hon. friend will permit me, I have been listening to his address with interest and I would not be one to say that such a statement as he is making should be cut off, but perhaps Mr. Speaker would call attention to the fact that it is contrary to the rules to refer to a previous debate in the same session; my hon. friend should refer to these matters at the time of that debate. I am sure my hon. friend can see that it is difficult for us to retrace our steps over a previous debate, and he can see the reason for the rule. It would reopen entirely a previous discussion which had been closed by whatever vote or other disposition was made of the question.

Mr. SHAW: May I point out, Mr. Speaker, that in making reference to previous statements I am only doing what hon. members have been doing ever since the 16th of May. I am new so far as the House of Commons is concerned. I have tried to learn by watching and listening, and I believe that I am carrying out a procedure in which most hon. members have indulged. I am dealing at the present time with the national health problem. I hope the minister will not say that his budget has no effect upon the health of the nation.

Mr. RALSTON: Mr. Speaker, I endeavoured to be as considerate as I could in calling attention to the rule. I do not think the hon. member has any right to suggest that I am not perfectly happy to listen to him as long as he has the right under the rules to speak with regard to the subject matter, but I suggest that my hon. friend should take my suggestion in the spirit in which it was made. I knew that he was a new member. After I had permitted him without objection or interruption to make his reference to previous debates, I did, considerately I think, call his attention to the rule. It seems to me that my hon. friend might accept that suggestion, and I would ask you, Mr. Speaker, to advise him if that is the rule. Then he may go on as long as he likes with regard to the health problem. We are all interested in it. But surely my hon. friend does not attempt to suggest that what I have stated is not the rule. The fact that somebody else did not follow the rule is not, I think, justification for my hon. friend persisting in its infraction. I do not know of any hon. members who have broken the rule. If I did, I would have felt it my duty to call their attention to the fact if I happened to be leading the house. I think my hon. friend is not taking the suggestion I made in the spirit in which I made it. I do point out that it makes for brevity, accuracy and conciseness in debate if old debates are not reopened, particularly if those who took part in them, and who are now being answered, are not now here.

Mr. SPEAKER: I wish to call the hon. gentleman's attention to the remark made by the minister. As he has pointed out, no reference can be made to some debate which has already taken place. I understood the hon. member to quote from a statement then made by another hon. member. That is contrary to the rules, and I would ask the hon. member to refrain from doing it.

Mr. SHAW: I bow to your ruling, Mr. Speaker. I shall make it a point to confine myself to my topic.

I was endeavouring to point out the intense suffering which our Canadian people have been going through during the past number of years because of their ill fortune and because of certain conditions over which they had absolutely no control. I contend that it is necessary in view of conditions as we know them to be, that our governments, and especially the minister of national health, give every possible consideration to the matter of national health. We have adult suffering and child suffering; and all in all it has a direct tendency to affect the efforts which we are able to put into the present struggle. It appears to me that we have been more concerned to preserve the orthodox system of finance and economics than to conserve or preserve the health of our people. It is bad enough that adults are called upon to suffer, but consider for one moment the effect which avoidable suffering has upon children. I know it is charged that many adults are not providing the necessities of life for their children and thus not guaranteeing decent conditions of health, and it is contended that these parents are entirely to blame. But our children outnumber the adults by about four to one, and irrespective of what the adults may be, the children are worthy of every possible consideration, in fact they are the best and most lasting assets we have. Everything depends upon those children. May I quote briefly a statement made by Sir George Newman, formerly general medical officer of health for Great Britain:

The European war has given new emphasis to the importance of the child as a primary

national asset. The future and strength of the nation unquestionably depend upon its education and equipment for citizenship. Great and far-reaching issues have their origin and some of their inspiration in him. Yet, in a certain narrow sense everything depends upon his physique. If that be sound, we have a rock upon which a nation and a race may be built; if that be impaired, we lack that foundation and build upon the sand. It would be difficult to overestimate the volume of inefficiency, of unfitness and suffering, of unnecessary expenditure, and of industrial unrest and unemployment to which this country consents because of its failure to rear and educate a healthy, virile and well-equipped race of children and young people. There is no investment comparable to this, no national economy so fundamental; there is also no waste so irretrievable as that of a nation which is careless of its rising generation. . . .

It is my contention that we have been careless of our rising generation.

On motion of Mr. Shaw the debate was adjourned.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Wednesday, July 3, 1940

The house met at three o'clock.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

ROYAL VISIT—OFFICIAL FILM

Mr. ROY:

1. Is there an official film covering the visit of their majesties, the king and the queen, in Canada, last summer?
2. Is this film bilingual, or are there two versions of it, one for the English-speaking population, and one for the French-speaking population?
3. If there is a French version, was there a deletion made of the speeches made in French by their majesties, by the Lieutenant-Governor of the province of Quebec, the Premier of Quebec, the Right Hon. Ernest Lapointe, and other French-Canadian dignitaries?
4. If there is only one version, does it include those speeches made in the French language, and if not, why not?
5. What department of the government was in charge of the preparation and the distribution of this film?

Mr. MacKINNON (Edmonton West):

1. Yes.
2. Two versions, French and English.
3. In the French version there are speeches in French by their majesties and by the premier of Quebec, but it was not found practicable, in a film which had to cover so much ground, to include all the speakers throughout Canada.
4. The speeches in French by their majesties and by the premier of Quebec are retained in the English version.
5. The film was produced by the Canadian government motion picture bureau of the Department of Trade and Commerce and distribution was made under the authority of the national film board.

CANNED SALMON STATISTICS

Mr. HANSON (Skeena):

1. What was the total pack of salmon canned in Canada during the years 1937, 1938, and 1939, giving each year separately?
2. What was the value of canned salmon during each of the years 1937 to 1939 inclusive, giving each year separately?
3. What was the value of canned salmon during the years 1937 to 1939 inclusive, giving each year separately, as follows: (a) exported to the United Kingdom, (b) exported to the United States, (c) exported to other countries, (d) for Canadian consumption?

Mr. MacKINNON (Edmonton West):

1. 1937—1,509,520 cases of 48 lbs. each=724,750 cwt.; 1938—1,708,835 cases of 48 lbs. each=820,241 cwt.; 1939—1,539,894 cases of 48 lbs. each=739,149 cwt.

2. 1937—$9,268,404; 1938—$12,274,863; 1939—Not yet available.

3. (a), (b), and (c).

Country		Calendar years 1937	1938	1939
United Kingdom	Cwt.	196,729	171,320	303,877
	$	3,798,818	3,726,527	5,517,273
United States	Cwt.	55,975	5,366	5,805
	$	344,002	54,490	37,968
Other countries	Cwt.	339,089	311,714	283,229
	$	3,390,828	3,347,177	3,072,316
Totals	Cwt.	591,793	488,400	592,911
	$	7,533,648	7,128,194	8,627,557

(d) Available for consumption in Canada: 1937—133,192 cwt.; 1938—332,112 cwt.; 1939—146,676 cwt.

LIVE STOCK PRICES

Mr. LACOMBE:

What were the average prices of animals slaughtered for consumption during the years 1938, 1939, and 1940, in the following markets respectively: (a) Montreal, (b) Toronto, (c) Winnipeg?

Mr. MacKINNON (Edmonton West):

Average Market Prices of Live Stock

	Montreal	Toronto	Winnipeg
Steers, good over 1,050 pounds, per cwt.—			
1938	$ 6 53	$ 6 26	$ 5 43
1939	7 15	6 91	6 17
1940, January	7 57	7 37	6 53
February	7 46	7 18	6 16
March	7 38	7 19	6 28
April	7 48	7 10	6 43
May	7 72	7 52	7 03
Calves, good and choice veal, per cwt.—			
1938	$ 8 10	$ 9 23	$ 7 17
1939	8 55	9 51	7 67
1940, January	11 75	12 49	9 95
February	11 13	11 87	9 32
March	10 74	10 85	9 11
April	7 45	10 38	7 80
May	7 75	10 24	8 20
Hogs, bacon, per cwt.—			
1938	9 94	9 53	9 33
1939	9 28	8 83	8 52
1940, January	9 41	9 07	8 61
February	9 33	9 00	8 60
March	9 37	9 03	8 60
April	8 98	8 55	8 11
May	8 50	8 25	7 75
Lambs, good handyweight, per cwt.—			
1938	8 63	9 08	7 94
1939	9 42	9 57	8 38
1940, January	9 66	10 63	9 15
February	(A)	10 06	9 15
March	8 92	10 79	9 39
April	(B)	10 93	9 93
May	(C)	11 58	12 44

(a) A few spring lambs $10 to $11 each.
(b) Spring lambs $5 to $9 each.
(c) Spring lambs $2.50 to $10 each.

*BRITISH CHILDREN—ARRANGEMENTS FOR RECEPTION IN CANADA

Mr. BRUCE:

1. What were the limits agreed upon between the British and dominion governments regarding British child evacuees?

2. In view of the minister's statement regarding the unreliability of the radio, will he state whether his announcement as given over the radio on Saturday last, that Canada would take all the children that England would send, is true or not?

3. Has the government extended a definite invitation for (a) a limited number of British children, or (b) a general unlimited invitation to all children the British government cares to send; (c) if neither, what is the nature of the invitation?

Mr. CRERAR: I have not had an opportunity to study this question very carefully, but I think the information requested was given in the statement presented to the house the other day. We might let the question stand until I look into it.

Mr. SPEAKER: Stands.

MUNITIONS AND SUPPLY—SNOWSHOES

Mr. ROY:

1. Has the Department of Munitions and Supply awarded contracts for the manufacture and purchase of snowshoes?

2. If so, to whom have such contracts been awarded?

3. For how many, and at what price in each case?

4. Were tenders called for by public notice?

5. If so, when were these tenders received?

6. Has the contract been granted to the lowest tenderer in each case?

7. If not, in what cases have the contracts not been awarded to the lowest tenderer, and for what reasons?

Mr. HOWE:

1. No.

2, 3, 4, 5, 6 and 7. No tenders have been called for snowshoes nor contracts awarded.

Mr. ROY:

1. Has the Department of Munitions and Supply awarded a contract for snowshoes to Mr. Salim Faber of Loretteville?

2. If so, what is the amount of such contract?

3. Were tenders called for?

4. If so, did Mr. Salim Faber submit the lowest tender?

5. Is Mr. Salim Faber a manufacturer of snowshoes?

6. If so, where was the location of his factory before he signed his contract?

7. Has Mr. Faber given guarantees for the due execution of his contract, and, if so, what are such guarantees?

Mr. HOWE:

1. No.

2, 3, 4, 5, 6 and 7. No tenders have been called for snowshoes nor contracts awarded.

QUESTIONS PASSED AS ORDERS FOR RETURNS

WAINWRIGHT NATIONAL PARK—DESTRUCTION OF BUFFALO, MOOSE, ELK AND DEER

Mr. McGREGOR:

1. Were any buffalo, moose, elk or deer slaughtered during the past year?

2. If so, how many of each, and where?

3. Were any of these animals sold on the hoof or otherwise?

4. If so, to whom, and at what price?

5. What disposal was made of the hides?

6. Were tenders called?

7. If so, what are the names of those who tendered and the amount of each tender?

Mr. CRERAR: Return tabled.

ADVERTISING AND PUBLICITY EXPENDITURES

Mr. JACKMAN:

1. What is the amount spent by the various government departments on advertising or publicity during the fiscal year ending March 31, 1940?

2. How is the amount divided among departments?

3. How much of these various amounts can be properly attributed to ordinary peace time departmental business, and how much to war effort?

4. With what advertising firms or agencies has this advertising been placed, and what amounts have been placed with each?

DIRECTORS OF PUBLIC RELATIONS

Mr. JACKMAN:

1. How many departments of the government employ directors of public relations or liaison officers or other officers whose duty it is to acquaint other government departments or the public with the work of the government or of particular departments?

2. Who are these officers?

3. What is their respective remuneration?

4. What is the term of their employment?

5. What was their previous business association?

FOREIGN PUBLICATIONS—SUBVERSIVE ARTICLES

Mr. CHURCH:

1. What action has been taken by the government since the session opened to prevent the use of the mails and circulation of certain American and other publications containing subversive articles in war time?

2. Will the use of the mails be denied to the *Chicago Tribune* and *Saturday Evening Post* and other weekly publications for continued articles detrimental to the cause of Britain and Canada and the prosecution of the war, and prevent their circulation in Canada?

Mr. CASGRAIN: Return tabled.

[Mr. Howe.]

FORD MOTOR COMPANY OF CANADA

Mr. COLDWELL:

1. Is the Ford Motor Company of Canada a dominion incorporated company?

2. How many shares are outstanding of (a) voting stock; (b) non-voting stock?

3. Who are the owners of the voting stock?

4. Who are the directors of the company?

5. What are their registered stock-ownership qualifications?

6. Are any of the directors employees of the company? If so, who are they?

Mr. CASGRAIN: Return tabled.

METROPOLITAN ELECTRIC COMPANY OF QUEBEC

Mr. ROY:

1. Has a contract amounting to $90,000 been awarded by the Department of Munitions and Supply to the Metropolitan Electric Company of Quebec?

2. What is the capital stock of this company?

3. Who constitute it, and who is its president?

4. Where was the location of this company's premises before the signing of the contract?

5. Who signed the contract?

6. Were tenders called for, and, if so, was it by public notice, or privately?

7. Did the Metropolitan Electric Company submit the lowest tender?

8. When were tenders received?

9. Has the Metropolitan Electric Company furnished guarantees for the due execution of the contract, and, if so, what is the nature of such guarantees?

HULL, QUE., ADVANCE POLL

Mr. ROY:

1. During the last dominion election of March 26, where was the advanced poll in the city of Hull located?

2. To whom was rent paid therefor?

3. Who is the owner of the building?

4. Who were the deputy returning officers and clerk at this poll, and how much were they paid?

MUNITIONS AND SUPPLY—VEHICLES

Mr. CRUICKSHANK:

1. How many vehicles of all kinds have been ordered by the government since the outbreak of war from General Motors of Canada, and what is the total value thereof?

2. How many vehicles of all kinds have been ordered by the government since the outbreak of war from Chrysler Motors of Canada, and what is the total value thereof?

3. Has the government purchased any vehicles from the Ford Motor Company of Canada since the outbreak of war, and, if so, how many, and what is the total value thereof?

MOTIONS FOR PAPERS

PUBLIC SERVICE—APPOINTMENT OTHER THAN THROUGH CIVIL SERVICE COMMISSION

Mr. ADAMSON:

For a return showing the names of all newly appointed persons whose remuneration is in excess of $100 per month, appointed to the government service, other than by civil service commission examination or under civil service commission regulation in the period September 1, 1939, to June 21, 1940, together with their salaries, living allowance, if any, and present duties.

YOUTH TRAINING FOR AIRCRAFT PRODUCTION AND REPAIR

Mr. BLACK (Cumberland):

For a copy of all correspondence, telegrams, agreements and other documents, during the years 1939 and to date in 1940, exchanged between the Department of Labour and the government of Nova Scotia, or any department thereof, regarding youth training in technical colleges, public schools, special classes, and/or industrial plants, to provide mechanical training for young men with special application to the manufacturing, reconditioning and repairing of aircraft.

CANADIAN WHEAT BOARD

QUESTION RESPECTING APPOINTMENT OF ADVISORY COMMITTEE

On the orders of the day:

Mr. P. E. WRIGHT (Melfort): I should like to ask a question of the Minister of Trade and Commerce (Mr. MacKinnon). In view of the fact that in the course of the next thirty days harvest operations in the west will be beginning, when is it proposed to appoint the advisory committee for the wheat board?

Hon. JAMES A. MacKINNON (Minister of Trade and Commerce): Questions along this line have been asked from time to time recently. There is no idea or suggestion of delay in giving to the house information on this and kindred subjects. Various matters in connection with the handling of this year's wheat crop, the crop for the approaching season, are under discussion and are being considered. Information will be brought down as soon as possible.

Mr. HANSON (York-Sunbury): Will it be brought down before we prorogue?

Mr. CRERAR: Not necessarily.

AMENDMENTS TO ACT—INQUIRY AS TO PAYMENTS ON 1940 CROP

On the orders of the day:

Mr. ROBERT FAIR (Battle River): Mr. Speaker, would the Minister of Trade and Commerce inform the house whether or not amendments dealing with the Canadian Wheat Board Act will be finally considered, and whether payments will be made in time to take care of the harvesting operations in connection with the 1940 crop?

Mr. MacKINNON (Edmonton West): That matter also is under consideration.

CANADIAN NATIONAL RAILWAYS

REDUCED FARES TO UNITED STATES POINTS AND CONSERVATION OF FOREIGN EXCHANGE

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): I should like to ask a question of the Minister of Transport (Mr. Howe). I hold in my hand an advertisement which appeared in last night's issue of the Montreal *Star,* issued under the authority, I assume, of the Canadian National Railways. This purports to advertise special low round-trip fares from Montreal to New York—I suppose to attend the world's fair.

Having regard to the efforts of the administration, as reflected in the budget, to conserve our resources, and especially our exchange, does not the government think that the Canadian National Railways should refuse to foster this kind of appeal to our people—an appeal to go outside our country and spend large sums of money? I say that because very little of the moneys expended on these railway fares will accrue to the national railways. Will the minister use his authority to have this kind of appeal silenced?

Hon. C. D. HOWE (Minister of Transport): The conservation of foreign exchange would seem to be a function of a department of government other than the Canadian National Railways. It will be understood that the Canadian National Railways are in the business of moving passengers and freight, and I presume their policy is to attract freight and passenger movement in both directions. The leader of the opposition (Mr. Hanson) will know that in a similar manner excursions are advertised in New York, and from that point groups of passengers travel to Montreal.

As to the question of exchange, it is a matter which is receiving the close attention of the government. Action along that line should be announced by the government, and in the event of such action I am sure the Canadian National Railways will be glad to conform.

Mr. M. J. COLDWELL (Rosetown-Biggar): I was going to ask the Minister of Transport if any action taken in this connection with

regard to the Canadian National Railways would also be taken in respect of other railways.

Mr. HOWE: When a government policy is announced we expect all railways in Canada to conform. Naturally the government does not attempt to manage the Canadian National Railways from Ottawa just because it owns the common stock of that organization. All the railways are treated alike.

Hon. J. L. RALSTON (Minister of Finance): Mr. Speaker, I would say to the leader of the opposition (Mr. Hanson) that the government has under consideration the very matter about which he has spoken. We are considering the whole matter of foreign exchange used by people going to the United States. I noticed that in his observations yesterday the leader of the opposition was rather strong, I thought, in his insistence that we should facilitate in every way possible the granting of passports to people wishing to enter the United States.

Mr. HANSON (York-Sunbury): Between border points.

Mr. RALSTON: Yes, between border points. But it seemed to me that that was not altogether in conformity with or consistent with the idea of conserving exchange.

Mr. HANSON (York-Sunbury): My reference to the situation at St. Stephen had to do with the every-day life of the people down there. Some hon. members do not understand the situation at that point. In those two border towns the three fire departments respond to the one fire call. This is an illustration of the extent of the community effort. If it were not for a river and an imaginary international boundary, there would be one town. Hon. members must understand the seriousness of the situation at that point. The hon. member for Charlotte (Mr. Hill) could give the minister some information on the point.

Mr. POWER: The American cemetery is on the Canadian side.

Mr. HANSON (York-Sunbury): Quite true.

Mr. RALSTON: Perhaps the fire departments would account for the 60,000 applications to which my hon. friend referred yesterday?

PUBLIC INFORMATION

PRESS RELEASE DESCRIPTIVE OF CERTAIN MILITARY OPERATIONS

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, on June 29 there was released from the office of the director of public information a press release respecting the use and limitations of parachute troops, tank and dive bombers in team work, and tending to throw more light on German tactics. This is purported to have been prepared by a military correspondent.

My attention was drawn to the matter by a newspaper man. I am not going to read the whole release, because I believe that would be asking too much. But if there is anything our bureau of public information could give out more calculated to frighten the people and to strike terror into their hearts at this time, I do not know what it could be. I am asking the Prime Minister why such information is sent out. Is it necessary to do so? Are such things censored? Will the government see to it that this type of information is more carefully reviewed by someone in authority before it is sent out?

Mr. MACKENZIE KING: In reply to the leader of the opposition (Mr. Hanson) may I say I should like to read the article first.

Mr. HANSON (York-Sunbury): I quite agree.

Mr. MACKENZIE KING: And I promise to give consideration to the point raised.

ADMINISTRATION OF JUSTICE

PROCEDURE IN EXERCISE OF EXECUTIVE CLEMENCY —CELONA CASE

On the orders of the day:

Mr. JAMES SINCLAIR (Vancouver North): I should like to ask a question of the Minister of Justice (Mr. Lapointe) respecting a matter of immediate concern to every decent citizen in Vancouver. My question is based on an item appearing in the Vancouver *Sun* of June 29. It is as follows:

> Joe Celona freed after serving only five years of ten-year sentence.

The item continues:

> Joe Celona convicted and sentenced to ten years in the federal penitentiary for implication in the white slave traffic has been released on executive clemency at Ottawa, it was confirmed here to-day.

This man, Celona, prior to 1934 was the openly acknowledged vice lord of Vancouver, dominating the underworld of this city more completely than did Capone in Chicago.

Some hon. MEMBERS: Order.

Mr. SINCLAIR: This is an important matter. I know that when men such as this are released it is done upon the recommendation or the advice of local authorities. For that reason I would ask the Minister of Justice

if this man Celona, who debauched and depraved hundreds of girls, and who corrupted the police force and the city administration, was released on the recommendation of Hon. G. S. Wismer, attorney general for the province of British Columbia?

Mr. HANSON (York-Sunbury): That is a pretty serious statement.

Right Hon. ERNEST LAPOINTE (Minister of Justice): Mr. Speaker, I did not know the hon. member was going to ask this question, and of course I cannot carry in my memory details respecting operations of the remission branch. However, I shall look into the files. So far as the procedure is concerned, may I point out that before a ticket of leave is granted we ask the opinion of the judge who convicted the prisoner; we have the report of the gaoler or the warden of the penitentiary, and there are also two or three other reports. I could not give the names of the people who may have written in, because they are highly confidential. We could not get the information we need for the proper carrying out of the business of this branch if we published the confidential reports which we receive.

ROYAL CANADIAN AIR FORCE

ELIGIBILITY FOR SERVICE OF QUALIFIED PILOTS WHO ARE UNITED STATES CITIZENS

On the orders of the day:

Mr. GEORGE BLACK (Yukon): Mr. Speaker, I have been asked to ascertain whether fully qualified and experienced air pilots who are citizens of the United States would be accepted for service in the Royal Canadian Air Force if such service was offered. I put this question to the Minister of National Defence for Air (Mr. Power).

Hon. C. G. POWER (Minister for National Defence for Air): The answer would be yes, provided they were judged to be fully qualified by the officers of the air force. In other words, they would not be barred because they are United States citizens.

FOREIGN EXCHANGE CONTROL

INQUIRY AS TO TABLING OF ORDERS IN COUNCIL AND AMENDMENTS

On the orders of the day:

Mr. JEAN-FRANÇOIS POULIOT (Témiscouta): I should like to ask the Minister of Finance (Mr. Ralston) when I may expect the regulations of the foreign exchange control board, with amendments.

Hon. J. L. RALSTON (Minister of Finance): I shall make inquiry this afternoon and give my hon. friend an answer to-morrow.

NATIONAL REGISTRATION

CALLING UP OF CLASSES UNDER THE NATIONAL RESOURCES MOBILIZATION ACT

On the orders of the day:

Mr. G. S. WHITE (Hastings-Peterborough): On June 26 I asked a question of the Prime Minister (Mr. Mackenzie King), which is reported on page 1162 of *Hansard*. This question reads:

> Is it the intention of the government to carry out some scheme of registration under the mobilization act before the first class of men is called up for training under this act? If it is not, will the Prime Minister give the house information as to when the first men are likely to be called up?

The Prime Minister replied that the matter was under consideration and that he could not give any information at that time. In view of the time element and the large number of men affected by the mobilization act, can the Prime Minister give any further information to-day on this important matter?

Right Hon. W. L. MACKENZIE KING (Prime Minister): I can only say to my hon. friend that the question to which he has referred relates to a matter of policy which will be made known to the house as soon as the government is in position to state it. Until the Department of National Defence has made the regulations which it deems essential with respect to the calling up of men it would be premature on my part to attempt to say just when that calling up will take place. The government will announce its policy in due course. That is all I can say.

Mr. WHITE: Could the Prime Minister say at this time whether there will be a registration before the men are called up?

Mr. MACKENZIE KING: I think I can say to my hon. friend that the calling up of men will not necessarily await the registration. As a matter of fact I should perhaps say that it will not await the registration.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Tuesday, July 2, consideration of the motion of Hon. J. L. Ralston (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Coldwell, and the amendment to the amendment of Mr. Quelch.

Mr. F. D. SHAW (Red Deer): Mr. Speaker, during the course of my remarks last evening I had occasion to deal particularly with the question of national health. I attempted to stress the fact that it is imperative, especially during war time, that we have a healthy, virile, well-equipped people. I referred also to a statement which had been made by a prominent British authority on health to the effect that the children of a nation constitute a rock upon which a nation might be built. It is also important that we realize that these same children constitute a rock upon which a nation may be rebuilt, a matter of more importance in view of the war situation. I referred also to what I termed the deplorable conditions prevalent in Canada and the attendant physical and mental ills. I would have made reference to other important factors if time had permitted. I could have referred to the fact that it has been reliably estimated that twenty-five per cent of our Canadian people may be classed as indigents. This is not a statement of mine; it appears in a report which was published last year by the national committee for mental hygiene. This reference to twenty-five per cent of our population being indigent should be explained. By indigent we mean that they are either unable to provide the necessary food, clothing, shelter and medical attention, or are able to provide food, clothing and shelter but unable to provide necessary medical attention. This is a tragic situation inasmuch as two-thirds of this twenty-five per cent are children.

It might be noted that in Canada there are each year 20,000 births where the mother is unattended by any skilled person. This may not be entirely due to economic conditions, but I venture to say that it is to a large extent. I would refer the house to the rapid decline in the birthrate in Canada. This was first noticed about 1926, so it cannot be said that this decline was entirely on account of the depression. However, there is sufficient evidence to prove that to a large extent it is due to economic conditions which have existed and to the fear which many people have of the future. Because of this decline in the birthrate it is absolutely necessary that we give the best possible consideration to the conservation of child life. That is the only way in which we can offset a decline in the birthrate.

It has been said, and rightly so, that if babies are well born and cared for, child mortality becomes almost negligible. As a result of conditions beyond the control of the average person it is unfortunate that a great many babies are not well born and are not well cared for. We should bear that fact

in mind. At this point may I pay a tribute to the doctors of Canada. I have lived in a rural community for many years and I know something of the good work performed by the members of the medical profession. Unfortunately Canada has a population of approximately eleven million people spread over an area of about two million square miles, and we have not enough doctors. Furthermore, I believe it is generally agreed that doctors have more or less located in the larger centres of population. There are various reasons for this. There they have the more up-to-date equipment which they have been trained to use and modern hospital facilities. Probably, too, life is more enjoyable in the urban centres, but that is not intended as any reflection on the medical profession.

Nurses have also performed a noble work. I have in mind the district health nurses in some of the provinces. But still we have not enough health nurses to do the work properly. I have also in mind the splendid work that is done by hospitals, and it is tragic to think that instead of extending our hospital facilities, many of our hospitals in the dried-out areas are nearing the point where they will have to close their doors if they do not receive further assistance from the federal government.

I should also like to mention the welfare societies. We all know the marvellous work that has been done by the welfare societies in sending out circulars and information which are extremely valuable to people living in the outlying areas. During the last war many hon. members will remember that many of our doctors joined the forces and many of our nurses also went overseas. Governmental grants to welfare associations were cut down on the ground of economy, and individuals, instead of contributing to the welfare organizations to any appreciable extent, contributed to the Red Cross overseas service. I have nothing against that, of course, but it left our welfare societies in straitened circumstances financially, and we found ourselves without sufficient doctors and nurses. The result was, as the figures show, that during the war years sickness among babies and children increased, and child mortality also increased. Let us not repeat that during this war. It is necessary, of course, that doctors and nurses should go overseas, and I know too, that it is not possible in every instance to give the same grants which these welfare organizations were receiving before.

But I would point out that we have three other doctors who are not going overseas: Doctor Food, Doctor Clothing and Doctor Shelter, and I believe that if we hire or make

use of these doctors at this time, our people will be to some extent compensated for the loss of the services of the doctors and nurses who go overseas.

I should like to deal for a moment with refugee children. I noticed in the Ottawa *Citizen* last night the statement that parents of approximately 52,000 children have made application to the British government to have their children sent to Canada. I do not know whether they will all be brought here or not, but if there are a million who wish to come, I hope we shall bring them all. It was a splendid gesture on the part of the federal government to make it possible for these children to come to this dominion. No one who has read a description of their conditions or seen moving pictures of refugee children in Denmark, Holland, Poland and other countries can have any hesitation in saying that we did the proper thing when we made arrangements to bring refugee children to Canada. But before the government decided to bring these children over here, they must have come to this conclusion: First, we are able to provide clothing for them; second, we are able to provide food for them; third, we are able to provide shelter for them, and fourth, we are able to provide education and medical services. I am not saying that the Canadian government is going to pay for that; perhaps the British government will, but irrespective of who pays, these things must be provided for the refugee children.

If we can provide all these things for the children who are brought here from abroad, why did we not a year or so ago make these very same things available for the thousands of starving children in our own country? I do not wish to be misunderstood. I am very much in favour of bringing the refugee children here; I would bring a million, or ten million, if they wished to come, but at the same time I do say that in the light of the care which we are going to provide for these refugee children, there was small excuse for not providing similar care for our own children who for the past ten years have been fleeing before another type of monster, the economic depression. Our children are a national asset, the best and most lasting asset which we have, and since they are a national asset they are of extreme national concern. Since they are of extreme national concern they should become a national responsibility.

We hear much said about passing the buck. I believe that expression was used on the other side of the house not long ago, but the time has come when we should cease even to consider passing the buck in dealing with our unfortunate children. We know it is the municipalities which are supposed to initiate schemes of relief and health services, but Mr. Speaker, many municipalities in the dried-out areas have nothing with which to start any scheme. Therefore the federal government can make no contributions because the municipality has no money with which to start the scheme. The provinces are struggling valiantly, and I commend to hon. members the public health programme of the Alberta government. But the provinces as a whole cannot cope with this national problem, and it is the absolute duty of the federal government to take over the whole health situation in Canada and give to the unfortunate, and particularly the children, the care which we know we are able to provide.

May I just say this in conclusion? The war is no excuse for reducing governmental expenditures on public health. That is not necessarily my own opinion only. I quote a statement under the name of the Minister of Pensions and National Health (Mr. Mackenzie) appearing in the April issue of *Health,* which is the official publication of the Health League of Canada. Before I read it, let me say to the minister that I agree wholeheartedly with what he says here:

> The all-embracing measures necessary for the successful conduct of warfare must not be permitted to weaken our efforts in the cause of public and individual health.
>
> On the contrary we must redouble our efforts to ensure the health of the nation.

"Redouble" has only one meaning to me, and I say to the minister that I sincerely trust the government does intend to redouble its efforts in this direction, and that I shall watch the health estimates to see if the minister's policy is carried out.

Mr. F. W. GERSHAW (Medicine Hat): Mr. Speaker, I hope the hon. member for Red Deer (Mr. Shaw) will excuse me if I do not follow his very eloquent plea for health. At this moment we all realize that the making of our maximum contribution to the empire at war is the great overshadowing problem of this session. The government is rapidly organizing the industrial, financial and economic resources of this country for war and for more war, and the people are loyally supporting that effort. The daily expanding strength of the land, sea and air forces has proceeded beyond our fondest hopes and expectations. As to the land forces, each day, the minister tells us, between 800 and 1,200 men are enlisting, and the tremendous task has been carried out of providing supplies for these men. In connection with the air force we have a thousand enlistments a week; and, Mr. Speaker, if you go along the highway

in one part of this province, as I have done, you will see a large field filled with aeroplanes for training purposes. You can see in the factories engine and aeroplane parts being assembled: one factory alone is turning out two planes a day, and many more will follow. We must remember also the sea force; the navy has been increased in size to nearly 100 vessels. Some of them are in British waters guarding the British isles, those islands which for two hundred years have been the bulwark of freedom and which, for any lover of liberty, are the most precious gems of the ocean.

Plants for the manufacture of articles of war are being built, older plants are being enlarged and reconditioned, and all are concentrating on war material. I hope that this industrial activity will spread so that those in the far west and those in the middle west will have the opportunity of making their contributions and that there will be in this time of great need neither idle men nor idle plants. The west will welcome for many reasons the establishment of plants and factories. They would like to see branch factories in their cities. They can offer much in the way of inducements, such as power and railway transportation and a suitable climate, so that in peace as well as in war there shall be decentralization of industry in the interests of all concerned.

I am convinced that during the last few months a tremendous work has been accomplished in preparing for war; and come what will in the way of weal or woe, the people of this country will be indebted to the Prime Minister (Mr. Mackenzie King) and the members of this government for what they have done.

I wish to deal for a few moments with a battle on another front—the battle which fathers and mothers are putting up to improve home conditions. This budget is definitely planned for equality of sacrifice in war; and on the home front, I believe, our aim and ambition should be to give equality of opportunity to the children and to people generally throughout this great country. I am convinced that living conditions throughout Canada are not thoroughly understood. Crop reports, trade returns and observations made from the cities do not give an adequate indication of what is taking place. I am reminded of days long ago when a queen decided to go through her country to visit her subjects, but her courtiers garlanded the path which she trod and took her to the green lanes and shady places, took her to the garden spots and to the flowing streams, so that she never knew that over the hills and far in the valleys her people were in want. I know that it is not the intention of this or of any government that people should suffer for lack of fuel or food or clothing or shelter, and I know that each municipality is responsible for the individuals who reside within its limits or who have strayed over its borders. But I know also that it sometimes happens that people suffer, that it is difficult to locate responsibility, that councils do not encourage relief giving, that relief officers sometimes become callous or make errors of judgment. Therefore I am glad to hear the Minister of Labour (Mr. McLarty) say that this government will do its full part in time of war as well as in time of peace.

A few days ago an hon. gentleman who sits in another place stated that advantage was being taken of the old age pension scheme. I believe that he lacks complete knowledge of the situation, because there is another side to be considered. The old age pension scheme has brought a measure of security and happiness to many of the pioneers of this country. It was put into effect by a Liberal government, and I hope that a Liberal government will be able in the very near future to lower the age and increase the amount, because I am convinced that a great humanitarian service will be done when the benefits of the scheme are enjoyed by larger numbers of deserving men and women.

I will not mention at any length the problem of our wheat crop. Wheat growing is the means of livelihood of a great number of people, and if they have to produce at less than cost they must suffer. I am convinced that the Minister of Trade and Commerce (Mr. MacKinnon) is well aware of this, and will do everything in his power to obtain for us a better price for our wheat in these times of contracting markets and other difficulties.

During the last year a new experiment was attempted in parts of western Canada, with the object of compensating in some measure a man who through no fault of his own lost his crop. The measure by which this was achieved is the Prairie Farm Assistance Act. It is a splendid piece of legislation, and has been the means of putting money into homes where it was badly needed. But in the first year its administration appears to have been faulty, and some of the regulations seem to have been altogether unsuitable. I know that some farmers got too much, but many others, equally or more deserving, got nothing. I hope that this legislation will be retained, but that changes will be made to render it more generally useful and helpful.

The price of farm implements has been a great problem for the people of the west. It is true that the cost of implements in Canada is a little lower than that of similar implements in the United States, but prices are altogether too high, and some remedy must be found. The difficulty from which the average farmer suffers is that the price of everything he has to buy is on a very high level and the price of what he has to sell is on a low level. The government that can bring those two levels a little closer will rule this country for many a year, because they will restore joy and hope to great numbers of our people.

Mankind has always had to contend with poverty. We have heard our parents and grandparents tell of their trials and troubles in this province. In those days they had to get around their troubles as best they could, but a little better system has gradually come about. Poverty is recognized as a curable evil, and although we have still a long way to go to reach the ideal, some progress has been made. Such things as direct relief, relief works, old age pensions, mothers' allowances by the provinces, farm placement, national forestry, dominion-provincial youth training, the Prairie Farm Assistance Act and the Prairie Farm Rehabilitation Act have all helped to mitigate the hardness of the lot of many of our people. The Prairie Farm Rehabilitation Act in particular has done a great deal of good. By making it possible to produce flowers and gardens it has made homes more homelike and it has caused some easterners to feel that they no longer need their eastern homes because they can have some of these things in the west. It is unfortunate that the estimates for that activity have had to be reduced.

Before closing I should like to discuss one other problem which is of great importance from the economic and social standpoint. It is not a new subject, because the sugar beet is mentioned as one food which the builders of the pyramids used. The Romans introduced it into Gaul, and Napoleon in 1812 and 1813 had 334 sugar factories established. So that all down through the ages it has been a subject of genuine interest in the furthering of human welfare. It has passed the experimental stage in western Canada, particularly in southern Alberta, and the statistics show that that province is better suited than any place in the world for the production of sugar beets.

Mr. MARTIN: Not better than western Ontario.

Mr. GERSHAW: In southern Alberta we have a lot of sunshine. We do not get early frosts and we can produce 11·88 tons per acre with a sugar content of 18·166 per cent. An increased production of sugar beets would very greatly help the situation out there. In the late nineties and the early years of this century a great many people settled in that country thinking they could grow grain. Railways, elevators, homes, churches and schools were constructed and the hopes of the people were high. But each ten-year period brought less and less moisture. The rainfall failed for many years; streams and slews dried up, and in the last ten years the spectre of poverty has stalked through that land so that relief has been necessary on a large scale. Even in times when there was a fair crop the prices were so low that a living could not be obtained and the problem of reclaiming that vast area is therefore definitely a national obligation. It has been found that irrigation is the one vital factor in stabilizing agricultural development there. We need irrigation badly in those districts. Private concerns have spent as much as $35,000,000 to establish irrigation districts and their losses have been tremendous.

If an irrigation scheme is to be successful there must be canning factories, particularly sugar beet factories, because these are the things that make a complete unit, and there is no fear as regards the market for sugar, because 85 per cent of the sugar which we use in Canada is manufactured from imported raw material. Then there is a place for sugar beets in the rotation of crops. Where a field is planted with sugar beets there must be intensive cultivation and, for years, whatever crop is grown on that field will give an abundant yield. Then it is a cash crop. It gives people a little money during the season to improve their home conditions and to carry on their ordinary life. Where a sugar beet factory is located the land is much more valuable, being worth up to $100 an acre, whereas irrigation land can be bought, where there is no factory, at say $20 an acre. Another big factor is the encouragement it gives to the live stock industry. Cattle, lambs and hogs can be finished where the beet tops, molasses and pulp are available for feed. In that great ranching country they lay off a certain number of townships for winter feeding and sometimes the grass fails to grow and they are short of fodder. They can drive the cattle to some place close to the factory and the by-products of the factory will be a great advantage in the fattening of the stock.

Unemployment is public enemy No. 1. Mr. Houson, president of Canada and Dominion Sugar company, says:

I will say this, that the beet sugar industry provides work for a tremendous amount of labour. There is no other industry that I know of that takes care of more labour.

The amount of factory labour required to make a ton of white sugar out of sugar beets, compared to the amount of factory labour required to make a ton of white sugar from cane, is as three to one; and when you include all farm labour in the manufacturing of sugar from beets, it really provides work for about twenty times as many people as the manufacturing of sugar from cane does. You start with the preparation of the land, then you have seeding, weeding, thinning and blocking, harvesting and transportation, so that there is a tremendous amount of labour involved. It also brings work to the railways, the merchants, the machine shops, and helps in the community life of the district in which it is situated.

In 1932 I had the opportunity of moving a resolution in this house to encourage the establishment of more sugar beet factories. The agriculture committee investigated the whole subject and reported as follows:

Your committee therefore recommends that in view of the existing tariff on sugar and in consideration of the substantial payments being made to agriculture and labour by the beet sugar factories at present in operation, the cane sugar refineries should undertake to provide for a gradual increase in factory facilities for the refining of beet sugar in Canada, and that, with the additional advantages in freight rates to points in the middle west, heretofore described, factory facilities should now be steadily increased in western areas where beets are grown, and thereby make it possible to produce from beets a more substantial percentage of the sugar consumption of Canada.

Your committee further recommends, that if no successful attempt be made in the immediate future by the refineries to increase the facilities for the manufacturing of beet sugar, the government should take into consideration steps to accomplish that end.

That, Mr. Speaker, is what we are asking to-day. In Canada we produce the raw material to provide only some fifteen per cent of our sugar, while in 1939 the United States produced 23.2 per cent of the sugar they consumed and even the United Kingdom produced some 20 per cent of their consumption. The Minister of Agriculture (Mr. Gardiner) is familiar with this problem; he has driven through and flown over these districts, and I should like him to compare the living conditions of the refiners with the living conditions of the people in those areas. We realize that the London sugar agreement is still in operation and that we must keep faith; but there are means, through the adjustment of taxes and freight rates, of giving encouragement to this industry. I wish my voice could reach the housewives of Canada and induce them to use more and more beet sugar, remembering that it gives employment to twenty times as many people as does the use of a similar amount of cane sugar.

Mr. J. SASSEVILLE ROY (Gaspé) (Translation): Mr. Speaker, the budget recently brought down by the Minister of Finance (Mr. Ralston) gives splendid evidence of his patriotism as well as of his sense of responsibility. Clear, rigorously exact and even more courageously frank, it enables us more easily to consider our serious problems and to arrive at sounder decisions. I therefore congratulate and thank most sincerely the minister, of whom it can be said that he has well served his country.

Mr. DUPUIS: Hear, hear.

Mr. ROY: The huge estimates already voted were sufficient and evident warning that the new budget would provide for numerous and heavy imposts, since it was not deemed advisable to resort more extensively to loans in order to settle our war expenditures.

Coming face to face with reality, one perceives it to be more brutal and impressive than one would have imagined it at long range, and its contact, if not always frightening, cannot but give rise to very serious meditation. Briefly, what is this reality with which we are faced? Here are the facts: Our country's expenditures will amount this year to almost a billion and a half dollars. Perhaps an example might serve to illustrate the crushing weight of this figure. On June 10 last, there arrived in Ottawa two trainloads of gold. The twenty-six cars which made up these trains, each one bearing approximately forty tons of the precious metal, represented only about $800,000,000, that is little more than half our first war budget. That is an illustration of the burden our country is being called upon to bear. Is it capable of doing so?

Let us discard for the moment any attempt at criticism. The gravity and the needs of the hour demand, on the contrary, that we recognize the imperitiveness of these expenditures. Canada has been drawn into a world conflict for the second time within a quarter of a century. Does our country possess to-day the same economic vitality on which the federal treasury could count during the first great war? In their first report for January 1914, Bradstreet's recognized that financial, industrial, commercial and agricultural conditions had never been more prosperous in Canada. However, at this moment of our entering another world war, our financial

position is most unstable. As a result of the machine's victory over labour and of the lack of domestic and foreign markets, our agriculture and manufacturing industry have been on the decline for many years. We have been in the throes of an acute economic depression for the last ten years. Our federal, provincial and municipal finances are no longer adequate, and in every branch of public administration there have been accumulating, year after year, deficits and tax increases of all kinds. Lastly, our public debt is now eight times larger than at the outbreak of the last war.

In view of the precariousness of our situation, we have the right to ask ourselves if our economic structure is sufficiently strong to-day to bear a burden which cannot fail to grow heavier with subsequent budgets. One would be, to say the least, foolhardy to assert it. Indeed, did this country not show numerous signs of weakness under a much lighter burden of taxation during the post-war period? Was not this taxation inadequate to prevent the rise of our public debt which climbed, during this period, from 1,200 millions to 3,200 millions, that is an increase of two billion dollars since the end of hostilities in 1918?

It is therefore evident that if we were barely capable the first time, with an economic structure far less burdened than it is at present, to bear a much lighter load, there is urgent need, should we recognize this deficiency, immediately to reinforce and inject more vigour and resistance in our economic front, in order that this budget may not disillusion the treasury and bankrupt the country.

Never in its history has Canada known such anxious times. On a far continent, another world is in the throes of a bloody evolution the result of which none can foresee. Must not our efforts henceforth tend, for this very reason, toward shielding our country from the consequences of this horrible evolution which we have resisted since 1914? We must thus be ready for any sacrifice, the least of which would be the willing recognition of our past mistakes, of our rashness and want of foresight, even though the personal pride of certain political leaders might suffer to some extent in the process.

In order to facilitate a study of the situation and consideration of the means whereby all budget anticipations may be fulfilled, let us narrow the picture down to the limits of the Gaspé peninsula, which offers an aspect very similar to that of the entire dominion. The population of this region is of mixed origin. It is formed first and chiefly of French-Canadians, noted for their laboriousness, their sense of economy and their incomparable hospitality; secondly, of a large group of English Canadian loyalists and Irish Canadians, remarkable for their spirit of enterprise and their perseverance; thirdly, of Canadians originating from Jersey, whose courtesy and politeness are proverbial and, lastly, of French-speaking Canadians of various racial origins. These different racial groups live together in a secular harmony that might serve as an example to the rest of the Canadian people.

The Gaspé region is richly endowed with the same natural resources that are to be found elsewhere in Canada. The agriculture, fisheries, timber wealth, mines, hydro-electric power and oil deposits there, plus a seaport of the first order and beautiful landscapes second to none, can compete on more than equal terms with those to be found anywhere else in the country.

It labours, however, under the same deficiencies that are to be noted elsewhere. Like every other region also, it has more than enough possibilities of development to fill all present and future needs. Indeed, Mr. Speaker, poverty and unemployment conditions are more severe in the Gaspé region, and more particularly on the Magdalen islands, relatively speaking, than in any other part of Canada.

This is due to two main causes:

First, that we have neglected the development of our natural resources. Our lumber industry, the most important of all, has restricted its operations to such an extent that it is responsible for at least three-quarters of our unemployment. Every timber limit between Sainte-Anne-des-Monts and Gaspé is rented but idle, save those controlled by companies operating at Marsouins and Mont-Louis, and the timber limit of Grande-Vallée where operations are rendered most difficult through lack of a wharf.

The federal authorities are in great measure responsible for the lack of development of our forest resources, because of their failure to build deep-water wharves at many places, among which are St. Joachim, Magdalen River, Grand Valley and Clorydorme. At Gaspe itself, three large companies still in possession of the same limits, formerly had an annual payroll of $1,500,000. This amount, increased by the payrolls of related industries, filled the needs of the people of the coast. Nothing has compensated for the disappearance of two of these companies whose very plants have been demolished. As to the International Paper company, they have started cutting wood again, but on such a small scale that it is not worth mentioning.

Our fisheries, also, are suffering to-day from the consequences of our past errors. Though fishing has been poor in recent years, it must be admitted that we have lost to other countries important markets for our fish. It is only since 1936, thanks to the firm measures taken by the National Union government of Quebec, that we have begun to market in Canada a good part of the surplus of our reduced production; but the fact remains that the price is still below what it was before the depression.

The decline of our two principal industries, lumbering and fishing, has naturally had a considerable prejudicial effect on our third industry—agriculture. Although carried on to a fairly important extent in several of our parishes, farming yields very poor results in others where the soil is unsuited to agriculture, particularly in the overcrowded Magdalen islands where the distress of the people is sad to contemplate. If it is proper to bewail the sad lot of the war refugees whom Canada is showing herself ready to assist, how much more should we not show our sympathy for the patient and courageous people of the Magdalen islands whose unfortunate lot is too little appreciated by the authorities of this country.

Our section has another source of wealth which should not be underrated. The marvelous beauty of the country with its jagged outlines, its beaches, its cliffed shores and its reefs whose harsh eloquence evokes the memory of so many shipwrecks and of so much heroism; our mountains covered with a rich vegetation, our animal life, and our rivers abounding with fish. All this picturesque beauty attracts every year thousands of tourists who are a source of considerable revenue for the province and the country.

In a word, Gaspesia, that small-scale picture of the entire Canadian nation, has important and diversified resources; her immense agricultural wealth is still almost untouched; our forests are extensive and only await development. The fishery industry could be further developed and made more remunerative. Our sub-soil contains great mineral deposits as evidenced by reports from geologists like Ells, Mailhiot, Alcock and Dr. Jones. Moreover, Gaspesia has a seaport at the mouth of the St. Lawrence river; from a commercial as well as from a military standpoint, it is the gate to the Atlantic and can be used both in winter and in summer. To be fully equipped, this great sea-port only requires docks.

That brief sketch of Gaspesia's resources naturally brings one to ask himself why so much wealth accumulated there by nature is still awaiting the time when human industry will make it available for the whole country.

On May 25th last, the Edmonton *Journal* reported the following statement from Mr. W. L. Leeper:

> The possession or the lack of oil will be the decisive factor in the present war.

That is true as regard military purposes and the requirements of industry, which must depend on an ever increasing supply of oil and motor-fuel.

Have the federal government given serious and practical attention to the possibilities of Gaspe's oil field? Will they recognize, before it is too late, the urgent necessity of mobilizing a resource that is so essential to victory?

If we had heeded the insistent requests that have been made during a number of years for a railroad across inland Gaspesia, we would have brought about the development of that oil field and of mineral deposits many of which are held by powerful companies like Noranda Mines, Federal Zinz and Lead, National Smelting, of London, British Metal, Mining Corporation and Imperial Oil.

Such development would not only have prevented unemployment in giving rise to prosperous industrial towns, but it would also have provided the federal treasury with considerable revenue and made available for our war effort some essential raw materials.

To all that would be added the invaluable advantage of a well equipped sea-port which, during the present war, would bring us nearer, by two or even three days, to our first line of defence; not to mention the fact that in time of peace, our country would be brought that much closer to her overseas markets.

I will go farther. That almost stubborn neglect in taking advantage of all those assets which were challenging our spirit of enterprise, has brought about, as an inevitable consequence, a migration of farmers toward towns, a condition which has upset the balance in our population and has been one of the main causes of unemployment.

Is it not alarming that our largest city, Montreal, should acknowledge itself unable to meet its financial obligations and powerless to provide the necessities of life for her too large population? Much could also be said about the financial difficulties of most of our towns or cities, overcrowded with unemployed who have abandoned the land because nothing was done to keep them there while it was still time.

Let us acknowledge that our greatest error, which is also the main and permanent cause of our weakness, is that in normal times, while our whole activity was available, we had

neither the foresight nor the wish to use the workers of our thinly populated country in the development of our abundant resources.

We did aggravate that first error when the time of reckoning came; we were then forced to admit our lack of preparation.

But what did we do? Did we, as now, mobilize all our resources and call upon the spirit of enterprise and the industriousness of our people with a view to withstanding the effects of the depression? No. We overlooked our resources and only looked upon the poverty that was rampant in this country.

To use more accurate and realistic terms, I would say that we maintained poverty instead of restoring prosperity.

While, on the one hand we abandoned to indigence and public relief an entire generation which, from year to year, has become a prey to those subversive theories which we are now compelled to fight on the battlefield, on the other hand we failed to accumulate and store what our country urgently needs, at the present time, to support the allied effort against the power of enemies who are using reserves accumulated during a number of years.

Our policies have too long been inspired and directed by political considerations, which has led us to compromise with sectional leaders and to the dangerous game of sectional strife.

We have been too complacent in following a doctrine of laisser faire under the mistaken pretext of opposing state intervention, thereby forgetting that foresight should be the first quality of a government.

As a result, the dormant initiative of our people, left without direction or assistance, has remained fruitless. Is it not still more disheartening to see that in spite of the sorry failure of the system used in attempting to end unemployment, the government still consider this latter condition as a permanent evil, since they are promoting an unemployment insurance scheme?

The state is in duty bound to alleviate temporary distress, but, nevertheless, its most important duty is to ensure the welfare of the people by providing permanent work for them.

In view of the means of recovery that are available to us, such an insurance scheme is an insult to the spirit of enterprise of our people and a startling admission of incapacity on the part of the government. Is it also realized that such a contributory insurance will be for a more or less extended period, another tax upon wage earners?

Since we must, on account of the almost complete failure of the methods we have so far followed, make the disquieting acknowledgment that we were unprepared for the enormous demands of this staggering war budget, have we not the duty, in our own interest, to alter the trend of our national economy?

From those obvious errors of the past, we should now draw lessons for the future. Let us broaden the frame of the picture I have drawn of Gaspesia when I outlined her possibilities and needs, and let us include within this enlarged picture the whole extent of our vast country.

There also we notice things which lead us to the conclusion that our economic structure is out of joint.

Ever since the beginning of this twentieth century, all our efforts have been concentrated upon making this a great century for Canada. It seems, however, that when we embarked on that course we neglected to find out whether Canada was sufficiently prepared for the purpose of bringing to a successful issue an undertaking which was to prove of such magnitude and to load us with such onerous obligations.

The immense prairies of western Canada opened such a field for our initiative and adventure that we failed to observe the wise rule that one must cut his coat according to his cloth. The frontier of Canada, which was then barely out of the development stage, did not extend further than the basin of the St. Lawrence and of the great lakes. The settlement of the prairies launched us in a feverish programme of unlimited immigration, in the building of a second transcontinental railway and in the creation of two new provinces. For the realization of this expansion we could count only on the resources of eastern Canada which might have been sufficient if Canada had not been drawn into the world war of 1914.

On the morrow of the armistice, rightly or wrongly, we thought that recovery in this country depended on the renewal of our western colonization policy. But when we resumed that unfinshed task, our means were still more limited than at the beginning of the century. In fact, to the all too heavy load of debt inherited from the war had to be added the debt of the national railways.

The financial collapse of 1929 brought about general depression and added to our difficulties. In the following decade we have been forced, so to speak, to meet emergencies with risky remedies which were no more than palliatives.

Last September, as Canada was struggling hopelessly against increasing difficulties, by means of a vacillating policy of experiments

and improvisation, she was once more thrown into another war adventure which will entail an effort of far greater importance than any previously attempted. Though this year's budget is not so explicit on this point, that is what may be gathered from it.

Canada must win the war, even though it be a long one. We know when we voluntarily and freely declared war, but we do not know when we shall be able voluntarily and freely to end it. Of one thing there is no question: we must finance the war and produce all that is necessary to carry it on. To that end, we must shape our effort to conform with our economic development.

Prior to the opening up of western Canada and for more than fifty years, lumber was the dominating factor of our production. From 1900 to 1920 wheat rivalled in importance with lumber, but after the war our water powers, our pulp industry and our mining industry developed to such an extent that wheat and lumber lost their predominance and in certain instances their surpluses became embarrassing.

It is therefore clear that our prosperity and the result of the present war depend for the most part on our mining and oil industries expanding sufficiently to make up for the decline of our other sources of wealth. Here should be emphasized the important and necessary part which eastern Canada must play in the readjustment of our economic life. Indeed, there must be borne in mind the essential and undeniable fact that it is in eastern Canada that are found the most durable and abundant factors of our wealth—gold, nickel, asbestos, copper, oil, and wood pulp.

There you have, Mr. Speaker, on the geographical basis, what should be the two bulwarks of our whole financial structure—the northeastern coast of Quebec which undeniably secretes inestimable and little-known wealth and, to the south, the so sadly neglected Gaspe peninsula.

The St. Lawrence, that great artery which separates them, brings us quite naturally to central Canada and the wealthy mining districts of northwestern Quebec and northern Ontario, with, to the south, a vast industrialized area capable of making proper use of all these raw materials. In this way we do not neglect the physical aspect of the problem and we logically take into account the requirements as well as the advantages of the natural order of things.

We shall inevitably have to recognize that, in order to restore a true and stable prosperity to Canada and to save the west which is incapable of reestablishing itself by its own efforts, it is not only essential but urgent that eastern Canada be placed in a position to produce to its full capacity according to the conditions peculiar to it.

Eastern Canada owes it to itself to help out the west, which it has helped to create. There is therefore no conflict of interests. The economic reestablishment of eastern Canada will bring forth a Canadianism which should have for its object and result the conciliation of the interests of both sections which complete each other by their diversity. Thus replaced in its true axis, Canada will more easily solve many of its other problems, such as that of its railways and of a balanced distribution of its population. It is not by making up year after year the deficit of our railway system that we shall solve our railway problem, and the back-to-the-land policy will never produce results unless it is preceded by a policy of bringing prosperity back to the land. In the same way, before thinking of attracting a flow of immigration to Canada, we should seek to ensure the welfare and the rational increase of our own population.

The government who will to-morrow deserve and receive the confidence of the people will be the one who, inspired by a spirit of true Canadianism, will work for the prosperity of Canada according to the interests and the needs of Canada. But, in order that such a policy may not be vitiated by narrow nationalistic and selfish monopolistic tendencies, it should be applied according to the eternal principles of social justice whose triumph we are seeking to ensure by the great sacrifices we are making in the present war.

If it is right and just to recognize that we are the heirs of the great nations of the old continent, it is no less right and just to say that we should not go so far as to follow them in their errors and even to die of their diseases. It is useless to seek theories, systems and doctrines to ensure this rebirth of our economy if we persist in looking only to the material and pagan side which offers us nothing but sophisms and utopias. The true methods are those which Christianity has long taught us. They interfere with nothing but the cupidity of shady finance, the defects of our monetary system and the venality of our public life.

The time has come, after so many warnings, to avert the danger, because there is not only evolution but revolution. We will manage to carry our heavy responsibilities if we set ourselves to our task with courage and resolution. Let us not doubt our strength, our spirit of sacrifice, our patriotism. We will fail only if we lack intelligence and determination.

Mr. ANTHONY HLYNKA (Vegreville): Mr. Speaker, the Minister of Finance (Mr. Ralston) has presented us with a budget. This budget contains new impositions of taxes, some of them reaching into the money barrels of the rich, others reaching into the somewhat depleted pockets of the not so rich. The budget further promises to our people a deficit of some $750,000,000, and all of this is to be added to our already huge and hopeless national debt. Finally, there is a possibility that before snow falls, supplementary estimates may be introduced, and an additional revenue may be required over and above the estimates already presented.

I should like to make it clear at this point that the progressive views of the group in this corner are not at all in accord with any form of taxation. We believe in interest-free money created by our national Bank of Canada for the people of Canada. But in order "to make the best of a poor proposition," as the leader of our group so ably put it the other day, I have the following suggestions to make. I should like to suggest at least two new sources of revenue which have evidently been overlooked, and in return I should like to ask for a reconsideration of one of the proposals already included in the budget. In making these suggestions I have borne in mind that taxing unessential or dispensable services is fair, but taxing the fundamental necessities of life or low salaries is unfair.

I suggest first that the government tax large-scale advertising, yes, and tax it heavily too. Admittedly a moderate amount of advertising is necessary in order to familiarize the public with the products on the market; but this advertising should be strictly informative. You will agree with me, Mr. Speaker, that a great deal of our advertising in this country is not strictly of that type. Those who have heard day after day the virtues of Lydia Pinkham's vegetable compound extolled; those whose wives have listened hour upon hour to nothing but soap programmes; those who have found their doorstep littered with handbills that nobody ever reads, will agree with me that some of these advertisements are nothing but business luxuries, and therefore should be taxed. In Great Britain the government has abolished brand names for many essential commodities. The British people are accordingly able to buy the goods they need. We on the other hand buy brand names, with some goods thrown into the bargain.

Advertising is not appreciably touched by either the income tax or the excess profits tax; therefore it should be taxed directly. It is a well known fact that large corporations escape the excess profits tax by resorting to excessive advertising. A tax on advertising would assist in curbing this tendency. Let us suppose for a moment that a heavy tax on advertising would tend to reduce the volume of advertising. Then the costs of consumption will be lowered, and the good effects of such a move will be felt everywhere. The amount of money spent on advertising in Canada may be readily quoted and the revenue derivable therefrom estimated. But let it suffice at this time to say that this important source of a possible revenue has been pointed out to the government.

Now I wish to indicate the second possible source of revenue. The interest on Canada's national debt for the fiscal year ended March 31, 1939, is given at $127,995,616.75, the total debt of Canada being $3,710,610,592.87. There is also a good prospect that this debt will increase rapidly and culminatively. Suppose the government with its newly acquired powers over material resources cut all the interest in half. That would mean a saving of about $60,000,000 to the dominion government. And now what about provincial debts, municipal and private debts? The same formula could be applied to all debts, and if the federal government embarked on such a progressive plan I am sure that the provincial social credit government of Alberta would not interfere in any way.

Some may say that a number of small investors have their savings in government bonds. These can and should be exempt. But if the government invokes the sanctity of contract idea and the fact that interest cannot be cut, then I say, levy a tax on excessive savings, which would have the same effect. Call it by any name you like; apply any legal technicalities you like, but excessive savings should not be used as a profit-making scheme by any plutocrat during this time of national peril. Why should one investing in property or a small business pay a tax while a mortgage company investing in a relatively safe security should be allowed to go practically scot-free?

I should like to congratulate the Minister of Finance (Mr. Ralston) upon having inaugurated interest-free government bonds. That is a really progressive step, and I urge that this method of raising money be exploited to the fullest, not only for the response it will bring from our people but to induce our banks and mortgage and insurance companies to invest in interest-free government bonds. To call buying bonds carrying 3¼ per cent interest patriotic is ridiculous. Patriotism surely has a nobler meaning than that.

I am happy also to congratulate the hon. member for New Westminster (Mr. Reid) on the progressive ideas he expressed in this chamber the other day on the subject of finance.

We must adapt ourselves rapidly to the ever-changing and threatening conditions of our day. Dinosaurs became extinct through their inability to adapt themselves to the changing environment in the earlier geological ages. Only those animals survived which were intelligent and adaptable. Let us not identify ourselves with those archaeological fossils which are now being dug up on the banks of the Red Deer river, but rather let us be among those who are sufficiently intelligent to adapt themselves to the new economics as our evolution demands. Let us be the survivors out of this chaos of war abroad and poverty at home.

The present war has forced upon this government the conscription of the natural resources of this country, and we hope to see a beginning made soon. The progressive element in this house has over a considerable period of time tried to convince the government of the necessity of adopting new ideas. After all, Mr. Speaker, how long will a hen have to sit on a round white object before she realizes it is not an egg but a door-knob? In my opinion orthodox finance is that door-knob, and I am sure I do not need to tell you, Mr. Speaker, who the disappointed hen is. No wonder that in the past the results have been so disappointing.

Translating these suggestions into cash value, I believe that the government could remit some of the national defence revenue tax by exempting it at the same level as the income tax, namely, $750 and $1,500 respectively. After all, this none-exemption hits the poor man most. Our people are willing to share the burden to the limit of their ability to pay, but when there are other unexplored avenues of revenue the government should not take away money which is earmarked for the fundamental necessities of life, namely food, clothing and shelter.

Let me summarize. I suggest that a higher level of exemption be set under the national defence revenue tax, and that in its place the government levy a tax on excessive advertising. I also suggest that the government reduce by fifty per cent the interest rate on debts, be they our national, provincial, municipal or private debts.

To reaffirm the position and the views of the group in this corner, I wish to quote from a book written by one whose name we cherish dearly; I refer to the late John Buchan. In his book entitled "A Prince of the Captivity" he has this to say, at page 308:

> As for the press, it does not greatly matter, since the press is not an independent power. But there is a great and potent world which the governments do not control. That is the world of finance, the men who guide the ebb and flow of money. With them rests the decision whether they will make that river a beneficent flood to quicken life, or a dead glacier which freezes wherever it moves, or a torrent of burning lava to submerge and destroy. The men who control that river have the ultimate word. Now most of them mean well, but they do not see far, and they are not very clever; therefore they are at the bidding of any man who is long-sighted and a master of strategy. Such a man has the future of the world—the immediate future of the world—in his hands.

Then on page 309 the writer, referring to the same subject, has this to say:

> He is moving money but capriciously, without any wise purpose. I do not think that he cares greatly for wealth, but he is scornfully amassing it—nothing more. He has persuaded finance to trust him in America, in France, to some extent in Britain—and the trust is not misplaced, for he will earn for it big dividends. He provides loans for many lands, but at too high a price, for he exacts in return a control over certain things which in no land should be under foreign control. He has his pound of flesh, and the flesh is taken from vital parts of the body. Therefore his loans do not benefit. They tide over a monetary difficulty, but in the end they cripple recovery—and they may kill it.

And lastly, on page 310 the writer has this to say:

> He is at present a dark angel in the world, but could his power be reorientated otherwise he might be an angel of light.

I ask the members of this hon. house to pay tribute to the memory of the author by taking to heart his noble and prophetic words.

In closing may I say that it appears to me, as a new member, that at this particular time the government does not care to have any criticism come its way. To me it is quite an experience to mark the attitude of the government. In perusing some clippings from newspapers I find some timely remarks on the subject of criticism. For instance, in the Ottawa *Citizen* of May 27, 1940, the Minister of Pensions and National Health (Mr. Mackenzie) is reported to have said in an address at the opening of the Canadian Legion's eighth dominion convention:

> If you want to criticize be not afraid to criticize, for we need all the united strength and courage of this nation.

I was pleased to see this view expressed by the minister. In the same newspaper, on

April 23, is a dispatch headed "Criticizing Decisions of Statesmen is Duty". The report reads:

Toronto, April 23.—Citizens have a right and a duty to criticize "the difficult decisions of our statesmen," Doctor R. C. Wallace, principal of Queen's university, told 800 members of the Industrial Accident Prevention Associations to-day.

"We can only criticize, however, if we are prepared to assume a personal responsibility as citizens. Otherwise we should keep quiet."

I do not think I need make any apology for quoting from these articles, some of which may have been overlooked by hon. members. I will, however, cite only one other reference which appears in the same newspaper on April 26, 1940. Doctor R. C. Wallace, principal of Queen's university and formerly of Alberta university, addressed a meeting at Ottawa, and the report states:

He spoke of the perils to freedom from within, for which, he said, the people of Canada must ever be on guard. In looking for dangers outside, the dangers within were apt to be overlooked. If this responsibility was disregarded or was only a partial success, it was the fault of the individual. In speaking of persons with minority views, the speaker said they must be courageous enough to express them, and if this were not done, the democratic system would soon give way to a dictatorial rule.

Doctor Wallace asserted that, by and large, the people who stand for election are a "shade" more intelligent than the rest and usually had good judgment and were relatively wise. Opinions of those outside a government were always necessary, he said, and he spoke of the leaders of opposition in federal and provincial governments who strive to find flaws in governmental action and propose changes.

I quote these words in order to impress upon the government the importance of broad-mindedness on every occasion, because theirs is the responsibility to-day. In this connection I recollect an interesting poem written by Alfred Noyes in 1914. When the British were fighting the Germans and throwing their searchlights over the sea in search for German submarines, the poet, in a little poem entitled "Searchlights", urged his countrymen:

And "search in thine own soul", they cry;
For there, too, lurks thine enemy.

He gave the British people to understand that the real enemy is not always outside; and if there is no enemy in our own hearts, if there is no enemy right among us, among our own people, then there is no external enemy that can ever subdue either this nation or the British empire.

Mr. T. J. O'NEILL (Kamloops): May I first of all compliment the Minister of Finance (Mr. Ralston) upon his budget. I do not believe there has ever been a time when this nation has faced such dangers as it does to-day, nor has there been a time when such huge taxation has been proposed in any budget, and I am of the opinion that there has never been a budget that has been accepted by our people more gracefully than this one will be. I am only sorry that the people in the country did not have the opportunity I had of hearing the minister present that budget. Those of us who had the privilege could not help being impressed with his sincerity of purpose. There are a great many people throughout Canada who will not agree with him, and I may say at the outset that the member for Kamloops is one of them. It would be impossible, however, for a Minister of Finance or of any other department of government to bring down measures that would meet with the approval of all the people. That cannot be. As I say, with many of the things in the budget I do not agree. In the first place, I do not think that even in a time of war we should interfere with essential services, and when I speak of essential services I mean the social services that exist to-day. Pensions to the blind, old age pensions and so on should not be interfered with. On the contrary, even when we are at war, I suggest that we should reduce the age limit and increase the amount to be paid in the form of old age pensions.

I regret that the Speaker himself is not in the chair, not that I have any objection to you yourself, sir, but the Speaker is from the west and what I shall say now he would probably understand better than you will, coming as you do from the east. At one time in Calgary we had a publication known as the Calgary *Eye Opener*. The editor, Bob Edwards, once formulated a prayer in which he said: "God grant that we do not lose our sense of proportion." In my opinion there are in this budget a number of places in which we seem to have lost our sense of proportion. There are throughout the budget many instances in which the same provisions are made this year as were made last year, and here I refer to statutory pensions of five, six, seven, eight and sometimes ten thousand dollars. We are told that the country is at war and that we are expected to have equality of service and of sacrifice. If that is to obtain, then I think one of the things we should eliminate, and eliminate at once, is the national defence tax of two per cent on incomes of $600 and $1,200. There should be no taxation on incomes lower than $750 and $1,500. It is a well known fact that these are the minimum amounts that are needed for people in these respective categories to obtain the necessities of life, to say nothing of the luxuries. I do not believe the people of

Canada want luxuries to-day, but in the interests of the nation I think they should have the necessities of life, and when you begin taxing below these standards the people cannot provide the necessities.

I have here an editorial taken from the Kamloops *Sentinel*. The people in my constituency are mostly farmers and workers; there are no people of the wealthy class. There are many who are well to do—in my opinion people with an income in excess of $3,000 a year are well to do—but the incomes of the great majority of the people in my constituency do not exceed $1,500. The editor wrote an interesting editorial which I think ought to be put on *Hansard*. I quote:

Attention Mr. Ralston.

If the talk coming to the *Sentinel's* ear represents, as this newspaper believes it does, a cross-section of the public opinion, Colonel the Hon. J. L. Ralston, Minister of Finance and presently Minister of National Defence for Canada, has seriously underestimated the willingness of the citizenry to pay through the nose for the satisfaction of wiping Hitler and his noisome tribe from the face of the globe. The people of Kamloops, the *Sentinel* has been told by several, believe that Mr. Ralston's budget, brought down in the House of Commons on Monday, does not tax them severely enough. As ordinary wage-earners they are, of course, a bit pleased that so much of their pay-cheques remains their own, but as opponents of Hitlerism they say the levies imposed do not accurately measure their desire, even anxiety, to be done with the nazi corporal and his lackey, the butcher boy of fascism.

I quote that to show that while I disagree with some of the provisions of the budget, the people whom I have the honour to represent are of the opinion that we should pay more than the Minister of Finance has asked of us. But it is those who make more than $750 and $1,500, single and married respectively, who should bear the burden of the taxation.

One thing I regard as an illustration of false economy affects my own constituency, but I mention it not because it affects that constituency but because it illustrates the point. For a number of years we have had at Tranquille sanatorium a large herd of cattle which provided beef for the institution, the surplus being sold. In connection with that work the dominion government had an experimental range station. In the constituency of Kamloops large numbers of cattle are raised, and the experiments carried on there have been of great assistance to the cattle industry of that region. To give hon. members some idea of the size of some of those stock ranches may I say, Mr. Speaker, that one such ranch in the Nicola valley has 125 miles of fencing. The experimental work carried on there has not only increased the quality of the product, but has also increased the ability of these ranches to maintain stock. Now, however, to save $9,000 a year, principally in wages and salaries, we are going to do away with this station. I believe that the cutting out of essential services of this kind is false economy. This government has spent thousands of dollars to bring this work to its present point, but now the entire experiment is to be scrapped. It was intended to be a ten-year programme; it has been maintained for only six years and now it is to be dropped for the sake of $9,000. I do not believe that sort of economy will pay; I do not think that should be done. In the name of economy we are putting more men out of employment and on the relief rolls. If there is anything other than the war that should be considered at this time surely it is the unemployment we have had in this country for the last ten years. Nothing will undermine the morale of people to the extent that it will be undermined by their being unemployed year after year, with all their hopes frustrated and absolutely nothing in sight but to continue on relief.

As I have said already, there is no doubt that the Minister of Finance is one of the most sincere men in this house. I do not doubt that for a moment, but in my opinion the Minister of Finance, as well as the Prime Minister (Mr. Mackenzie King) and every other member of the cabinet, do not have enough opportunities to get out and rub elbows with the common people, as the ordinary member of parliament does. I understand it is the intention to increase the size of the cabinet. If that is to be done, I think an extra cabinet minister should be provided to take the place of each minister for two weeks at a time so that the ministers may visit their constituencies, travel throughout the country and see for themselves the conditions that exist. They cannot do that while sitting behind a mahogany desk. Why, they do not even have time to read their correspondence. I know that for a fact, and I am not saying this with a desire to be critical at all.

To change the subject for a moment, on June 29 occurred one of the most important events to take place in British Columbia for a long time. I refer to the official opening of the Big Bend highway, the last link in the trans-Canada highway between Fort William and Vancouver. That road opens up about seven hundred miles of the finest mountain and valley scenery to be found anywhere on this continent. For some distance that highway goes over the old Cariboo road built by the Royal Engineers at the time of the gold rush to the Cariboo in the sixties, and portions of

the old road are still in use. Any hon. members from the east who have any idea of visiting the west would be well advised to drive over that road, because I do not think comparable scenery can be found anywhere else in North America.

A few moments ago I said that the two per cent national defence tax should be lifted. I do not believe that tax should apply to people earning small salaries. Of course if the Minister of Finance removes one tax he must impose other taxation to take its place, and I have a suggestion to offer. No doubt this suggestion will make me about as popular as a skunk in a hen roost; nevertheless it is my firm conviction that this revenue could be obtained elsewhere. This is my suggestion. I believe any member of this house or any member of the government or of the civil service receiving more than $3,500 should accept a ten per cent reduction on their salary as long as this war continues. That would remove the necessity for imposing taxation on people receiving less than $750 and $1,500 respectively yearly. Personally I am quite prepared to accept a reduction of $100 on every $1,000 I earn. That would take $400 from me, but I am quite prepared to have that $400 taken, in addition to the taxes imposed under this budget.

Then, Mr. Speaker, I believe some changes are due in our tariff and patent laws with regard to radios. Some radio sets which can be bought in the United States for $9 cost about $15 in this country, and I am given to understand that this difference results from our tariff and patent laws. I believe something should be done to relieve the poor people of that burden. Many people cannot afford other kinds of amusement and must depend entirely on their radios. I do not believe those people should have to pay the prices charged for radios in Canada. Consideration also should be given to the removal of the licence fee on battery sets. The poor people in those parts of the country without electricity, who must depend on battery sets, pay enough for their radios without having to pay a licence fee of $2.50, and I think we might very well do away with that extra tax.

Yesterday the leader of the opposition (Mr. Hanson) made this statement:

> However, national sacrifice, as I interpret the term, means sacrifice by all the people of the nation according to their respective abilities to make and sustain sacrifices.

Mr. Speaker, I am absolutely in agreement with that, and I believe every member of parliament is included among those who are able to make that sacrifice, and to maintain it. I believe that is in line with the suggestion made by the leader of the opposition if I correctly understand the phraseology.

Later on he says:

> A sacrificial tax, which would affect even the humblest in Canada, would have had a tremendous effect in awakening our people. Others realize the necessity for such an awakening.

I am in direct opposition to that. I do not believe that is necessary. If there is one class of people in Canada which does realize what is going on, and which is ready to make the necessary sacrifice, it is the poor people who have made sacrifices for the last ten years. Even with the small degree of protection they have received under our democratic system they are still ready to pay, and they still believe in that system. I do not think we require a tax on those people to awaken them to their responsibilities; they are already awakened.

Concluding his observations yesterday the leader of the opposition made an impassioned appeal to get on with the war. Well, Mr. Speaker, I am heartily in agreement with that. But I can recall that since May 16, day after day and week after week we have been bombarded from the other side of the house with speeches dealing with the necessity for a national government. Hon. members opposite went so far as to say that the Prime Minister (Mr. Mackenzie King) should be removed from office. They even went so far as to suggest who should be his successor, and to name a number of other men who should be included in the cabinet. But I would call to your attention, sir, the fact that every one of those named at that time had been repudiated by the people of Canada, and in some instances repudiated by the Conservative party itself. Yet the suggestion was made that those people should be taken into the cabinet.

Any person walking into the House of Commons yesterday and hearing the leader of the opposition, and not having had—I was going to say the privilege, but one can scarcely call it that—the opportunity of sitting here during the past month and listening to what has been going on in the opposition benches, would have had the idea that the only people who really wanted to get on with the war were the members of the opposition.

I do not think that is the fact, at all. When we are speaking of a national government we must consider carefully the point of view. So far as I am concerned I believe the Liberal party as constituted in the house at the present time represents more truly a national party than does any other party in the

house. I do not say that with any intention of criticizing any of the smaller groups. Naturally a group of eight men does not have the same opportunity to represent all classes as it would have if it were comprised of one hundred and eighty men. When I speak of a national party I mean a party representing all classes of people throughout the country. We do not have a national party if we have a party representing nothing but labour Neither do we have a national party if we have a party representing nothing but professional men. That could not be a national party. I believe the Liberal party as at present constituted in the house more nearly represents a national party than does any of the others.

Following that argument one is led to the conclusion that those who agree with me must agree when I say that in order to have a national government, all classes must be represented in that government. Whether or not we have that to-day to the desired degree is, of course, a matter of opinion. I leave hon. members to decide for themselves whether in their opinion it is a national government.

Mr. HOMUTH: We have decided.

Mr. POULIOT: Shut up.

Mr. O'NEILL: I believe it was the day before yesterday the hon. member for Rosetown-Biggar (Mr. Coldwell) made one of the finest speeches to which I have listened during the present session. He spoke particularly with respect to excess profits, and pointed out that in his judgment they should not be permitted. May I say at once that I am in complete agreement with that observation. The very life, the very existence of our country is at stake, and the last thing industry should expect to have to-day is any measure of excess profits.

However, working from the same set of figures used by the hon. member for Rosetown-Biggar, yesterday afternoon the hon. member for St. Antoine-Westmount (Mr. Abbott) built up a case in direct opposition to that built up by the hon. member for Rosetown-Biggar.

Mr. COLDWELL: I will build up another one to-morrow.

Mr. O'NEILL: I shall be here to listen. I do not know which of these highly informed gentlemen is correct. But one thing I do know: Any well directed organization, whether it be governmental, labour, or what have you, must be guided by the will of the majority. At the present time in the House of Commons the majority happens to be in the Liberal party. And while I do not agree with the Minister of Finance, yet I do say he has the backing of the very large majority of the Liberal party. That being so, and the Liberal party being the largest in the house, naturally I am going to go along with that majority when in the opinion of the minister the taxation he has laid out in respect of excess profits is going to go farther by way of taking excess profits from the manufacturer than the legislation in operation in England to-day. Whether or not that is right, as I said before I do not know. I do not think the hon. member for Rosetown-Biggar is a lawyer. If not, he has possibly missed his calling, because he did build up a very strong case, while the hon. member for St. Antoine-Westmount built just as strong a case to prove the opposite argument.

Mr. HANSON (York-Sunbury): Before the hon. member leaves his eulogy of the hon. member for Rosetown-Biggar, would he be good enough to inform the house as to whether or not he is going to support the amendment offered by that hon. member?

Mr. POULIOT: That is his own business.

Mr. O'NEILL: Mr. Speaker, I have sat in this house for a number of sessions, and have listened with impatience to many long speeches. But I have not interrupted other hon. members, and I do not think interruptions come with very good grace from the leader of the opposition.

Mr. HANSON (York-Sunbury): I apologize.

Mr. O'NEILL: I do not think it is good form for a front bencher in the party opposite to rise and question a back bencher who is attempting to make one of the speeches he makes only once in four or five months. So far as the question asked is concerned, when voting on the amendment I shall vote in the manner I believe to be in the best interests of Canada.

Yesterday, when listening to the hon. member for St. Antoine-Westmount, I was reminded of the observations of the hon. member for New Westminster (Mr. Reid), who said there were liars, damned liars, and statistics. I believe he was quite right in what he said about statistics. I do not know about the others, but with regard to statistics I would say that he was absolutely right.

Another suggestion I have to make to the Minister of Finance has to do with the interest rate on farm loans. I believe that rate is out of all reason and proportion. It certainly should be lowered. Another matter this government should look into is the profiteering that is going on in rentals. Rents

are going up out of all reason. The hon. member for New Westminster made an appeal the other evening to the Minister of Finance to reduce the interest rate to 1½ per cent. I am in agreement with that suggestion as far as it goes, but to my mind it does not go far enough.

I doubt if anyone understands our money system, but if I understand it, I believe that to-day we are not using money, we are using the credit of the country. I believe we have as good a financial system as any other country in the world, but I should like to see it maintained. In my opinion the only way by which it can be maintained is to take the national credit and use it without having to pay a tribute to any private individual. Unless we do that, we cannot hope to continue with this rate of taxation and adding to the public debt to the tune of approximately a billion dollars a year. If this continues there will be a total collapse of our present financial structure. Thousands of people have put all their savings into bonds in order that they may enjoy the interest therefrom in the afternoon and evening of their lives. If we brought about reforms in our monetary system and prevented its total collapse, that would be much better than to continue to go on in the way we have been going.

Some hon. MEMBERS: Hear, hear.

Mr. O'NEILL: The members from Alberta say "hear, hear". I have a great deal of respect for the members of the social credit party, but I have not joined that party. The other day the hon. member for Lethbridge (Mr. Blackmore) called attention in an eloquent speech to the many fine things Alberta had done. I do not disagree with what he said, but that province has done some things which are hardly to its credit and which have reacted disastrously against my province, which I consider to be the banner province of the Dominion of Canada. Certain municipalities in British Columbia purchased Alberta bonds in good faith. They used the interest received from those bonds to keep up their schools. When the government of Alberta said arbitrarily that the rate was not to be what they contracted to pay, the revenues of those municipalities were reduced and they had to raise the money in some other way. I am not saying this in criticism of the government of Alberta; I am merely calling attention to it in order to point out that that is what the Dominion of Canada is going to have to do if it keeps on financing the way it has been.

Mr. BLACKMORE: Hear, hear. Now you are talking.

Mr. O'NEILL: Mr. Speaker, you were not in the chair when I first started to speak. I want to tell you now that I am pleased that you have been appointed Speaker. So far you have been quite fair in your rulings and I believe you will continue to be. I am pleased to note the progress you have made with the other official language. Being acquainted with your pronounced and musical accent, I wondered just how it would sound when you said the prayers in the other official language. You have made wonderful progress. In my humble opinion the two official languages of this country should be made a compulsory study in our schools, both public and private.

Last summer I had the honour and privilege of attending an international labour convention in Geneva, being sent there by our late lamented former Minister of Labour, the Hon. Norman Rogers. Forty-six democratic countries were represented at that conference by 335 delegates. The majority of those delegates could speak another language in addition to their native tongue. About 90 per cent of them were not fluent in English, but they could speak French quite readily. French is one of the two official languages of the League of Nations and the international labour office. Since so many people of this type have a knowledge of French, and since it is one of the official languages of this country, why should it not be made a compulsory study in our schools?

Every member of this House of Commons could use a knowledge of French to great advantage. Many excellent speeches are delivered in French in this house, but those speeches are not available to many of us until they appear in *Hansard* the next morning. Therefore, quite often they are lost to us entirely. A knowledge of French would prove of great benefit to us. Very few of us who studied Latin in our school days get very much from that language. I agree that the time spent in studying Latin is not lost entirely, but one does not get the advantage from a study of that language that one would from a study of French.

Since attending this conference last year I have wondered what has happened to many of the people I met there. Right across from me sat the representatives of the Polish government. Since that time Poland has been overrun by Germany and Russia. Propaganda has been circulated, whether truthful or not we do not know, to the effect that the better educated people of that country have been done away in some manner or another.

I should like to say a word in connection with labour. Many references have been made to our front line of defence. At this conference were representatives of labour, representatives of employers and governmental representatives. Almost without exception the 335 delegates were of the opinion that organized labour was the first line of defence in a democratic country. At the time when Hitler was aspiring to power, Germany was one of the most highly organized countries in the world. Hitler, in order to bring labour to its knees, enlisted the services of organized capital and industry and completely destroyed labour as such. His next move was to enlist the military for the destruction of capital and industry, and he brought about the complete destruction of industry as an organized effort. Then he had the purge of the army when generals who disagreed with him were shot. Knowing these things, the delegates were of the opinion that organized labour was the first line of defence in any democratic country, and knowing these things, Mr. Speaker, I do not think I am out of order to-day when, speaking of a national party and a national government, I suggest that in order to have a truly national government, Labour and the farmers of this dominion must be represented.

Mr. A. M. NICHOLSON (Mackenzie): Mr. Speaker, in rising to make some observations on the budget I should like first to congratulate the hon. member for Kamloops (Mr. O'Neill), who has just taken his seat. It has been most refreshing to hear a supporter of the present government express opinions which differ so widely from the government policies so far carried out. I was particularly interested in his protest against taxes being levied on single persons with incomes of $600 a year and on married people with $1,200 a year. I think his point was very well taken.

I should like to speak this afternoon chiefly about an industry which has been aptly described by a member of this house as the forgotten industry—agriculture. Perhaps I should not say forgotten because so far as the budget is concerned the farmer will carry his full share of the load of increased taxation. He will find that the cost of living and the cost of operating will drastically increase, without any assurance that he will receive for his product a price which will give him the cost of production.

I was interested also in the remarks made by the hon. member for St. Antoine-Westmount (Mr. Abbott) yesterday afternoon. I was interested in learning that he has in his constituency the largest group in any constituency in Canada who will be affected by the increases in the income taxes. May I also congratulate him upon having in his constituency five hon. members of this house, including the Minister of Finance (Mr. Ralston) and another cabinet minister. I was delighted to hear that he had not received from his constituents a single criticism of the increase in the income tax. But that is not surprising because the important thing is not how much income tax you pay, but how much, after you have paid your tax, you have left with which to keep the wolf from the door.

I have examined the minister's table at page 1027 of *Hansard* and have made some calculations with respect to the people living in the province of Saskatchewan. Referring to the column showing the amount of tax paid by married persons with no dependents, I find that with an income of $10,000 in Saskatchewan you will be required to pay dominion income tax, national defence tax and provincial income tax amounting in all to $2,658.25, but you will still have left to spend, on the basis of 300 working days in a year—50 weeks, 6 days to the week—the sum of $24.47 per day. Other incomes work out as follows:

Income	Dominion tax plus national defence tax plus provincial income tax	Amount left per day
$ 10,000.....	$ 2,658 25	$ 24 47
15,000.....	5,450 88	31 83
20,000.....	8,546 00	38 18
50,000.....	30,937 15	63 54
500,000.....	538,332 18	*127 77

* Minus.

The hon. member for Rosedale (Mr. Jackman) asks me who pays the deficit in the case of the last mentioned income. I want to assure him he need lose no sleep worrying about anyone in Saskatchewan because there will be no such individual; he exists only in statistics. In the province of Saskatchewan we have very few people in receipt of large incomes. According to the information I have received, in the whole province of Saskatchewan last year, 1938-39, only four reported receiving incomes of $20,000 or over. I wished to find out whether we had any people in our province receiving incomes of $50,000, but I was told that it was not in the public interest to break down the figures in the larger brackets by provinces, and that it was done just for the whole dominion. In 1938-39 we had four in Saskatchewan with an income of $20,000 or over, and in previous years the figures were as follows:

Year	Number receiving over $20,000 in Saskatchewan	Number in Canada receiving over $50,000	Number of farmers in Saskatchewan paying income tax
1938-39	4	457	103
1937-38	7	382	180
1936-37	5	300	142
1935-36	3	304	96
1934-35	5	259	38

I was interested in the statement of the leader of the opposition (Mr. Hanson) yesterday that there were 457 people in Canada who had incomes over $50,000, and that they represented 17/100 of one per cent of the total taxpayers, yet they paid $17,289,365 in income tax or 36·17 of the total collected.

As I have said, I wish to confine my remarks chiefly to the problems of agriculture. Speaking on a previous occasion in this house I confined myself for the most part to the constituency which I represent, but this afternoon I should like to speak more about agriculture's place in our whole national economy.

Mr. Lew Hutchinson, chairman of the Alberta wheat pools, speaking before the Bracken conference on markets for western farm products, reminded his hearers that originally the tillers of the soil and keepers of the flocks and herds were The People. He pointed out that the business world we now know was built up to serve the tillers of the soil and the keepers of the herds, and business has developed by serving those who produce the foodstuffs.

The farmers of Canada have been a generous group of society. They have worked long hours; they have lived simply, and they have provided for their servants in extravagant fashion. When I speak of their servants I have not in mind the dairymaid or the farmer's hired man, who share the hardships of farm life; I have in mind those other servants who live in large cities, who make the farmers' tools, who operate the grain exchanges, who supply the currency and the credit for the farmers. How extravagantly many of those servants have lived! A few weeks ago I had the pleasure of spending a week-end in the city of Montreal. There I saw some of the residential area. Although I am not familiar with the exact boundaries of the constituency of the hon. member for St. Antoine-Westmount (Mr. Abbott), I know that his riding includes Westmount, one of the finest residential districts of Montreal. I have visited other great cities; I have been in London, England; in New York, Chicago, Paris and a score of other cities internationally known, but I have never seen a larger number of beautiful residences in one locality than in the district represented by the hon. member for St. Antoine-Westmount. As I drove through that part of the city I asked my friends, "What have these people done in Canada to entitle them to live amid such surroundings?" I am sure the hon. member will agree with me that to reside in those beautiful residential areas and support the type of life necessary in those communities one would need an income of $50,000 and up. I asked my friend, "What have these people done?" And I believe my conclusion was right when I gathered that people all across Canada have had a share in the building of those homes: people from the Atlantic to the Pacific have poured wealth into that great city in order that a small handful of the Canadian people might be able to enjoy every benefit known to modern society.

I stood in the city of Toronto the other night. I was through the constituency which is represented by the hon. member for Rosedale. It is a beautiful district and contains many attractive homes. As I stood outside the union station and looked at the Royal York hotel, the friend who was with me said, "There is the largest hotel in the British empire." "Where did the money come from to build it?" I asked. Mr. Speaker, I thought of the farmers out in western Canada living on farms bought from the owners of that great hotel; farmers who work from early morning until late at night the whole year round, paying tribute in order that a big corporation might be able to build a hotel such as the Royal York. I submit that in our national economy we have not enabled those who provide the foodstuffs of the nation to live in the manner which is possible for those who have made their tools, who have run their transportation lines, who have operated the grain exchanges and the currency and credit of the country.

I do not wish to refer further to the constituency which I represent, but I should like to direct the attention of hon. members to a book, "The Case for Alberta", which will be found in the parliamentary library and which sets forth the problems of that province. I shall not weary hon. members with a lengthy

discussion, but I should like them to consider the section which deals with interest, showing how the high rates paid by the agricultural provinces of the west have placed a heavy burden upon the people. The case is cited of a resident of Edmonton who bought in 1910 a property as a home and assumed a mortgage of $2,500 bearing the very common interest rate of 10 per cent. Although he has paid $5,275 on that loan of $2,500 he still owes $1,300. Scores of cases of that sort could be related, affecting city dwellers and agriculturists. There is a section of this book which points out what unfair freight rates have meant to the producers of Alberta. On page 163 will be found the following tabulation of carload lumber rates from Vancouver to prairie points, and from Mont Laurier, Quebec, to Ontario points of similar distances:

From—To	Miles	Rates in cents per 100 lbs.	Per cent difference (in favour of east)
Vancouver—Calgary	642	50	
Mont Laurier—Glencoe	643	27	
Difference		23	85·1
Vancouver—Bassano	720	52½	
Mont Laurier—Windsor	725	30	
Difference		22½	75·0
Vancouver—Edmonton	765	54	
Mont Laurier—Sault Ste. Marie	782	28½	
Difference		24½	83·0

Another section discusses the difference in the cost of operating a car in western Canada as compared with parts of the dominion where people are fortunate in having good roads. It is estimated that the cost per mile of driving a car on a concrete road is 4.7 cents; on a road of intermediate type, 5·6 cents; but upon a low type of road, of which all the prairie provinces have a very high percentage, 6·13 cents.

Another section deals with the question of debt. The hon. member for Kamloops mentioned the fact that certain hardships had resulted from the policy of the Alberta government in failing to meet in full their debt obligations. I have never supported the theories advocated by the present government of Alberta, but hon. members should be fair. The government of Alberta had to meet the problem of feeding, clothing and attending to the various needs of their people. They had also to face the question of satisfying debt obligations undertaken in years gone by when the farmers and other people of the province anticipated high prices for what they had to sell. The people of Alberta had to decide whether they were to pay 100 cents on the dollar of their obligations and have their people suffer, or make some change in their payment to those who had loaned them money and see to it that the province maintained the necessary social services. I believe that, as the hon. member has pointed out, the dominion government will be confronted at some time with the same problem and will have to do exactly what the government of Alberta has done. So much for the case of Alberta.

I would recommend also to hon. members a study of Manitoba's case, the text of which will be found in the parliamentary library. It informs us of what has been done in other parts of the empire and other countries of the world with a view of assisting those engaged in agriculture. On page 21 of part VIII will be found a discussion of what Australia has done to benefit her agricultural population. It is pointed out in the report that during the first year of the depression Australia depreciated her pound in terms of the British pound, so that one hundred British pounds would buy one hundred and twenty-five Australian pounds. This meant that the Australian farmer who sold his wheat at Liverpool for £100 British could get in terms of Australian money, not £100 but £125. As a result of the Australian government's exchange policy, the Australian farmer got 25 per cent more for his wheat in Australian money than he would have got if the Australian pound had not been depreciated. Instead of following a similar policy here we followed a policy that had the opposite effect. The dominion government actually allowed the value of Canadian money to rise in terms of the British pound, so that the wheat producers, instead of getting 25 per cent more, actually got, in 1931, 3·4 per cent less; in 1932, 18·3 per cent

less and in 1933, 6·2 per cent less. There is a table here indicating the benefits that would have accrued to the Canadian farmer if a policy similar to Australia's had been carried out. For the six-year period the three prairie provinces would have benefited to the extent of $280,700,000, or an annual average amount of $46,800,000. It is pointed out here that while the Canadian wheat producer sold his wheat in Liverpool for British pounds for which he received only 96·6 cents on the dollar in 1931, the Canadian exporters of newsprint, metals, and so on, selling in the United States market, were getting American dollars for which they obtained 1·03 in 1931, 1·13 in 1932 and 1·08 in 1933.

There is given a detailed discussion of what was done in other countries throughout the world. In the United Kingdom the British government set aside over $125,000,000 during the period 1932 to 1936, or an average of $30,000,000 a year. In Australia they carried out a policy that had a definitely beneficial effect on the farmer. They distributed over $60,000,000 during the four-year period, an average of $15,000,000 a year. In the Argentine the policy was definitely beneficial to the farmers. In the United States, throughout the whole depression period, the resources of the federal government were mobilized with a view to assisting the farmer in one form or another. They did not lose sight of the fact that in Canada certain assistance had been given the farmer by the government, but they point out that the assistance given by Canada was given largely as a result of drought rather than with a view to placing agriculture on a sound economic basis. The report makes this statement:

> Canada also undertook certain expenditures in connection with drought relief matters. These expenditures, of course, were not associated with those factors which caused the low prices experienced during the depression, but rather with climatic conditions which affected certain areas in western Canada. They were made to relieve distress rather than to put agriculture in the same relative position as other industries.
>
> When these measures for the relief of agriculture, as an industry, as distinguished from those of human relief, are compared with the assistance which other countries have given to their wheat producers during the depression, we can reach no other conclusion than that agriculture is Canada's forgotten industry. On balance we have suffered far more from the tariff and monetary policies pursued by the dominion than we have benefited by all the financial contributions which were made to assist us. Moreover, when these contributions are compared with the disabilities which were created as a result of unfavourable dominion policies, we can reach no other conclusion than that, aside from the relief and rehabilitation plans, the part so far played by the dominion government, in respect to the agricultural depression in western Canada, has been a definitely negative one.

I submit that without any further delay we should recognize that agriculture is to play a very important part in war time as in peace time. It need scarcely be said that the supplying of human food is just as essential for victory as the supplying of bombing planes, submarines and munitions of every kind, and I think it is not unreasonable that those engaged in that great industry should have some assurance that if necessary they will have funds from the dominion government set aside to guarantee their costs.

I recommend that without any further delay legislation be introduced to provide for an interim payment on the 1939 wheat crop, because the farmers of western Canada have experienced during the past few months, since marketing wheat, a constantly rising cost of production. Many have had no other source of income than from wheat. In the second place, I suggest that legislation should be introduced to guarantee parity of prices to the farmers in all parts of Canada. I recommend also that we have an advisory committee, with adequate grower representation, and also that we have a board which will see to it that the marketing of coarse grains is carried out in an orderly manner so that those engaged in the production of coarse grains may have at least their cost of production.

It is now six o'clock and I move the adjournment of the debate.

Motion agreed to and debate adjourned.

At six o'clock the house adjourned, without question put, pursuant to standing order.

Thursday, July 4, 1940

The house met at three o'clock.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

MONTREAL FINANCIAL SITUATION

Mr. ROY:

1. Has the government received representations from the Quebec government and the Montreal municipal authorities relative to the help the government could grant the city of Montreal to facilitate the solution of its financial difficulties?

2. If so, by whom, and to whom were such representations made?

3. What were such representations, and what was the government's reply?

Mr. RALSTON:

1. Yes.

2 and 3. On May 14 a telegram was addressed to the Minister of Finance by Mr. J. M. Savignac, chairman of the executive committee of the city of Montreal, reading as follows:

"May 15 city has to meet maturities of six million dollars. City needs help from superior governments to meet emergency pending publication and enforcing of recommendations of Rowell-Sirois reports. Expecting immediate action on your part with the banks or otherwise in order to prevent default."

On May 14, the Minister of Finance replied to this telegram as follows:

"Acknowledging your telegram May 14, as the matter referred to is one which is and always has been regarded as entirely outside sphere of dominion jurisdiction and administration I am referring your telegram to the honourable provincial treasurer of Quebec."

CHARTERED BANKS—UNCLAIMED DAILY OVERAGES

Mr. COLDWELL:

1. Do the chartered banks report the amounts of unclaimed daily overages to the department?

2. If so, what amounts have been reported during the last fifteen years?

3. How frequently are these overages disposed of and in what manner?

Mr. RALSTON:

1. If this question relates to tellers' overages, the answer is that there is no requirement in the Bank Act or otherwise that tellers' "overages" and "shortages" should be reported to the Minister of Finance.

2 and 3. Answered by No. 1.

*BRITISH CHILDREN—ARRANGEMENTS FOR RECEPTION IN CANADA

Mr. BRUCE:

1. What were the limits agreed upon between the British and dominion governments regarding British child evacuees?

2. In view of the minister's statement regarding the unreliability of the radio, will he state whether his announcement as given over the radio on Saturday last, that Canada would take all the children that England would send, is true or not?

3. Has the government extended a definite invitation for (a) a limited number of British children, or (b) a general unlimited invitation to all children the British government cares to send; (c) if neither, what is the nature of the invitation?

Mr. CRERAR: I have looked at these questions, and also the statement I made on June 27. At the moment I believe there is nothing that can be usefully added to that statement.

[Mr. Roy.]

In regard to the second part of the question I may say that I made no announcement over the radio respecting this matter, on the date mentioned or on any other date. Under the circumstances I believe the question might be dropped.

Mr. HANSON (York-Sunbury): Could it stand for a day or two until I have an opportunity to consult with the hon. member?

Mr. CRERAR: I have no objection.

Mr. HANSON (York-Sunbury): Certain parts of the minister's statement might bear further examination. I do not say he is wrong, but I should like to go into the matter further.

Question stands.

MUNITIONS AND SUPPLY—NEW BRUNSWICK CONTRACTS

Mr. HATFIELD:

1. Who was appointed by the New Brunswick government to make contacts between manufacturers of war materials and the war purchasing board?

2. How many personal interviews did this man have with the board, on what dates, and with what results?

3. How many contracts were awarded for the supplying of war materials in the province of New Brunswick since the outbreak of war, September 2, 1939?

4. What firms in the said province were awarded such contracts?

Mr. HOWE:

1. No knowledge.

2. No knowledge.

3. 443.

4. As follows:

September 2, 1939 to June, 1940.

Name of Contractor—Location	Number of Contracts
Ashley Colter Ltd., Fredericton	1
Atlantic Underwear, Moncton	2
Acme Construction Co., St. John	1
Armstrongs Associated Brokers, St. John	1
Baird and Peters, St. John	7
Barbour, G. E. Co. Ltd., Fredericton	7
Barbour, G. E. Co. Ltd., Woodstock	5
Barbour, G. E. Co. Ltd., St. John	10
Borden Co. Ltd., St. John	2
Brown-Holder Biscuits Ltd., Moncton	1
Burgess, W. B., Kinsman's Corners	1
Baird and Peters, St. John	6
Barbour, G. E. Co. Ltd., St. John	5
Baxters Dairies, St. John	1
Borden Co. Ltd., St. John	3
Canada Packers, St. John	7
Canadian Fairbanks-Morse Co., St. John	1

Name of Contractor—Location	Number of Contracts
Copp Woollen Mills, Port Elgin	1
Crosby Molasses Co. Ltd., St. John	2
Crystal Ice Co., St. John	1
Canada Packers Ltd., St. John	13
Canada Starch Sales Co. Ltd., St. John	1
Canadian National Railways, Moncton	1
Cap'n John Sea Foods, St. John	1
Catelli Food Products, St. John	1
Christie Woodworking Co. Ltd., St. John	2
Clark, Clinton S., Woodstock	1
Clark, George A., St. John	1
Copp Woollen Mills, Port Elgin	1
Cosman and Co., Moncton	1
Crosby Molasses Co. Ltd., St. John	3
Crystal Ice Co., St. John	1
Dealer's Dairy Ltd., St. John	1
DeForest, Geo. S. & Sons Ltd., St. John	1
Devon Meat Market, Devon	1
Dunbar's Bakery, Fredericton	1
Dwyers Limited St. John	1
DeBow, Brady E., St. John	1
Dealers Dairy Ltd., St. John	1
Eastern Bakeries Ltd., St. John	1
Eastern Coal Co. Ltd., St. John	1
Estabrooks, T. H. Co. Ltd., St. John	9
Enamel & Heating Products Ltd., Sackville	2
Eastern Contractors Ltd., St. John	1
Eastern Bakeries, St. John	1
Eastern Bakeries, Fredericton	1
Eastern Hay & Feed Co. Ltd., Sackville	1
Eastern Hay & Feed Co. Ltd., Sussex	1
Emerson & Fisher Ltd., St. John	1
Enamel & Heating Products Ltd., Sackville	6
Enterprise Foundry Co. Ltd., Sackville	5
Estabrooks, T. H. Co. Ltd., St. John	13
Farmer's Co-operative Creamery Co., Moncton	1
Fenwick, T. S., St. John	1
Fergusson Atlantic Underwear Co., Moncton	5
Farmer's Co-operative Creamery Co., Fredericton	2
Fergusson Atlantic Underwear Co., Moncton	6
Flood, John & Sons Ltd., St. John	1
Frasers Co. Ltd., Edmundston	1
General Dairy Ltd., St. John	1
Gordon, M., St. John	2
Gorman, Thos., Ltd., St. John	2
Grossman, L., Newcastle	2
Gandy & Allison Ltd., St. John	1
General Coal Co., Ltd., St. John	1
General Dairies Ltd., Woodstock	2
General Dairies Ltd., St. John	3
Goldart's Dairies, St. John	1
Gordon-Myer, St. John	1
Gorman, Thos., Ltd., St. John	4
Gutta Percha & Rubber Co., St. John	2
Hall Bros., Woodstock	2
Harmer, Russell H., Sussex	2
Harquail, J. & D. A. Co., Campbellton	1
Harrison, H. S., St. John	2
Holder, George E. & Son, St. John	1
Horgan's Bakery, Fairville	1
Humphrey, J. A. & Son, Moncton	4
Haley & Son, Ltd., St. Stephen	1
Hall Bros., Woodstock	3
Harrison, H. G., St. John	1
Hawkins Fruit & Produce Co., Fredericton	4
Humphrey, J. A. & Son Ltd., Moncton	2
Irving Oil Co. Ltd., St. John	1
Imperial Optical Co., St. John	1
Irving Oil Co. Ltd., St. John	9
Jones-Schofield-Hatheway, St. John	12
Jones-Schofield-Hatheway, St. John	12
Kierstead Ltd., St. John	2
Kitchen Bros., Woodstock	2
Kitchen Bros., Fredericton	2
Kraft Phenix Cheese Co., St. John	1
King, G. H., Chipman	1
Kitchen Bros., Woodstock	2
Kitchen Bros., Fredericton	4
Lever Bros., St. John	1
Lee, Wm. C., Fredericton	1
Maple Leaf Milling Co., St. John	1
Mitchell, Parker D., Ltd., St. John	1
Murray & Gregory Ltd., St. John	5
McAvity, T. & Sons Ltd., St. John	9
McAvour, M. H., St. John	2
McLennan Foundry & Machine Works, Campbellton	1
McAvity & Sons Ltd., St. John	5
McCavour, M. H., St. John	3
McInerny, St. John	1
MacDonald Bros., St. John	1
Maritime Co-operative Egg & Poultry, St. John	1
New System Laundry & Cleaners Ltd., St. John	2
Nordin, George, Sussex	1
New Brunswick Fence Co. Ltd., Moncton	1
Palmer-McLellan Shoepack Co. Ltd., Fredericton	2
Pacific Dairies Ltd., St. John	2
Palmer-McLellan Shoepack Ltd., Fredericton	1
Palmer, John Co. Ltd., Fredericton	1
Phenney, Daniel, St. John	1
Procter & Gamble, St. John	1
Quaker Oats Co., St. John	4
Quinn, J. E., St. John	1
Quinn, James R., St. John	1
Reed & Co. Ltd., St. John	1
Reid, H. H. Ltd., Sussex	2

Name of Contractor—Location	Number of Contracts
Robertson Fisheries Ltd., West St. John...	5
Robertson Fisheries Ltd., St. John.....	1
Robertson Co. Ltd., St. John.....	1
Robin Hood Flour Mills Ltd., St. John....	2
Rogers, Roland L., Woodstock.....	1
St. Andrews Woollens, St. Andrews.....	1
St. John Dry Dock & Shipbuilding, East St. John	6
St. John Iron Works Ltd., St. John.....	5
Schofield Paper Co. Ltd., St. John.....	5
Shaw Limited, Chipman.....	1
Shaw's Bakery Ltd., St. John.....	2
Simms, J. L., Fredericton.....	1
Simms & Co., Ltd., St. John.....	38
Slip & Flewelling Ltd., St. John.....	5
Smith Brokerage Co. Ltd., St. John.....	2
Smith & Sons, D. W., Woodstock.....	1
Somerset Axe & Tool Co. Ltd., St. John....	6
Springer Ltd., St. John.....	1
Starr, R. P. & W. F. Co. Ltd., St. John....	1
Sussex Steam Laundry, Sussex.....	1
Swift Canadian Co. Ltd., Moncton.....	1
Swift Canadian Co. Ltd., St. John.....	17
Thistle Dairy, Fredericton.....	2
Thomas, Earl, St. John.....	2
Thorne & Co., Ltd., St. John.....	1
Ungar's Laundry Ltd., St. John.....	1
Vaughan Sheet Metal & Gravel Roofing Co., St. John.....	1
Wallace Manufacturing Co. Ltd., Sussex..	3
Western Canada Flour Mills, St. John....	1
Willett Fruit Co. Ltd., St. John.....	15
Williamson, J. Fred, Ltd., St. John.....	4
Wilson Limited, J. E., St. John.....	1
Wood, G. H., Co. Ltd., St. John.....	1

WHEAT SALES TO UNITED KINGDOM AND FRANCE

Mr. PERLEY:

1. How much wheat of the 1939 crop, from the 1st August to date, was sold direct by the Canada wheat board to the representatives of the United Kingdom and France?

2. How much of such wheat was sold through the board's agents or members of the grain exchange, to the representatives of the United Kingdom and France?

Mr. MacKINNON (Edmonton West):

1. Cash wheat 3,994,000 bushels, futures 29,620,000 bushels.

2. These sales were made direct by the Canadian Wheat Board to the purchasing committee of the British Ministry of Food by direct cable negotiations.

[Mr. Howe.]

QUESTION PASSED AS ORDER FOR RETURN

ASSISTANCE TO WESTERN FARMERS—WHEAT PRODUCTION

Mr. MacKENZIE (Lambton-Kent):

1. How much money did the western farmer receive in the fiscal year 1939-40 under the Prairie Farm Assistance Act and the Prairie Farm Rehabilitation Act?

2. What was the total cost, including administration, of each of the above acts?

3. What was the total cost to the government as the result of the fixed price for wheat on the 1937-38 crop and the 1938-39 crop?

4. What material aid and assistance was given to the western farmer in the dried-out areas in 1936-37, 1937-38, and 1938-39?

5. Were any moneys paid under the Co-operative Marketing Act during the year ending March 31, 1940, and, if so, how much?

6. What was the total amount of wheat produced in the three western provinces, Alberta, Saskatchewan, and Manitoba, in the years 1937-38 and 1938-39?

EUROPEAN WAR

INQUIRY AS TO DEPENDENTS' ALLOWANCES FOR MARRIED COUPLES EXTENDING HOSPITALITY TO REFUGEE CHILDREN

On the orders of the day:

Mr. G. K. FRASER (Peterborough West): I should like to direct to the attention of the Minister of Finance (Mr. Ralston) a question which is being asked by children's aid and welfare societies all across Canada. If a married couple take a refugee child and the man enlists or is conscripted after a month or so, would that refugee child be classed as a dependent and receive full dependent's allowance?

Hon. T. A. CRERAR (Minister of Mines and Resources): This is a question which might be placed upon the order paper. It is addressed to the Minister of Finance (Mr. Ralston), and I shall direct his attention to it. I am sure he will make what disposition of it he desires to make.

Mr. FRASER (Peterborough West): If a married couple take a refugee child into their home to look after it for the duration of the war, would they be allowed the full $400 exemption for that child when making out their income tax return?

Mr. CRERAR: The same answer would apply.

SUBVERSIVE ACTIVITIES

DECLARATION RESPECTING ILLEGAL ORGANIZATION—ORDER IN COUNCIL TABLED

On the orders of the day:

Right Hon. ERNEST LAPOINTE (Minister of Justice): I desire to lay on the table of the house an order in council declaring illegal the organization known as Jehovah's Witnesses.

NATIONAL DEFENCE TAX

DEDUCTIONS AND REMITTANCES BY EMPLOYERS

On the orders of the day:

Mr. J. L. O'BRIEN (Northumberland, N.B.): I should like to ask a question of the Minister of Finance (Mr. Ralston) in connection with the national defence tax which is payable by employers. On page 3, of the ways and means resolutions, section 18, clause 2 reads:

> That every employer be required to deduct the tax imposed in respect of earnings of the employee earned or accruing due during and after July, 1940.

This matter is of the utmost importance to employers, and perhaps the minister could explain how it is proposed to administer and control the tax so imposed.

Hon. J. L. RALSTON (Minister of Finance): The hon. gentleman was good enough to let me know that he intended to ask this question. This is really a matter for my colleague, the Minister of National Revenue (Mr. Ilsley), but I know the hon. member is anxious to have the information. It was only a moment or two before the house opened that he spoke to me about the matter, so I took the liberty of calling the commissioner of income tax with regard to it. What is being done by the commissioner of income tax is to have posters placed in banks, post offices and offices of inspectors of income tax all over Canada calling the attention of employers and employees to the provisions of this measure. At the same time forms are being sent out to be lodged in all banks, post offices and offices of inspectors of income tax, which forms are to be completed by the employee. That is, the employee will make a statutory declaration as to his status, whether he is married or single and the number of children he has, in order that the rate of deduction may be ascertained and fixed by the employer. On the back of the form appears a resumé of the important provisions of the legislation in so far as they affect employers and employees. These forms will be readily available to employers all over the country and they are the forms to which reference is made.

The hon. gentleman will understand that in the short time between the bringing down of the budget and July 1, it has been impossible to communicate with all employers. However, I am assured by the office of the commissioner of income tax that if we could see the number of inquiries which are coming in from employers all over Canada with respect to the procedure to be followed, we would be certain there are very few who are not taking notice of the measure and doing their best to ascertain the best method whereby its provisions may be carried out.

In addition, a form is now being prepared which I understand is to be distributed this week. This form is being made as simple as possible and is to be used by employers in making remittances of deductions. Some time is being accorded to employers and employees to adjust themselves to the situation by reason of the fact that the first remittance is required to be made by employers on September 16. That is to say, the remittance to be made on that date will cover deductions made in July and August. I do not think there is anything more I can say at the moment in connection with the matter of procedure.

Mr. HARRIS (Danforth): The deductions are to be made this week?

Mr. RALSTON: Deductions are to be made from wages earned on and after July 1.

Hon. R. B. HANSON (Leader of the Opposition): This may be a very simple matter, but it is giving a great deal of trouble. As I understand it, in the case of a seasonal employee the deduction must be made, and should the employee not become taxable, he must apply for a refund.

Mr. RALSTON: That is quite right.

PASSPORTS AND VISAS

INQUIRY RESPECTING APPLICATION OF REGULATIONS—ESTABLISHMENT OF BRANCH OFFICES

On the orders of the day:

Mr. NORMAN J. M. LOCKHART (Lincoln): In the light of the impossible situation that appears to be obtaining in the passport offices at the present time, and the serious inconvenience to people who are being detained here because of inability to obtain passports, would the Prime Minister (Mr. Mackenzie King) or his government consider deferring the application of these regulations until July 15? This would enable urgent cases to get back to their homes. The government should also open up passport offices at those points where United States consuls are located. The situation is really serious. I know of many cases which are quite urgent, and I am not referring to people

who simply want to make a visit. I think the Prime Minister might consider extending the latitude which is now granted to bus drivers and others.

Right Hon. W. L. MACKENZIE KING (Prime Minister): If the matter rested in the hands of the Canadian government it would be a simple matter to arrange everything to meet the wishes of our own people, but these passport requirements are imposed by the United States government and a visa is required by some official of that government. Having regard to the tremendous pressure which has been placed upon the passport offices, the government is doing everything possible to have passports issued just as quickly as applications can be printed and personnel can be got together to distribute and issue the passports themselves. It must be remembered that a passport is an important legal document. It carries with it certain international obligations. It is not a document which should be issued without great care and caution on the part of the issuing government. Otherwise we would soon get into all kinds of difficulties. There is always the danger of fraud and not infrequently in the past it has been necessary to undertake prosecutions in connection with fraudulent passports. The government is opening temporary offices next week at Vancouver, Toronto, St. Stephen and Winnipeg. These offices will be opened on Monday next. I can assure the house that the passport office is doing everything it possibly can to hasten the issuing of passports that are required.

I may say that it is altogether probable that it will become increasingly difficult for persons who wish to travel simply for purposes of pleasure to receive passports for the purpose. That will help somewhat to relieve the pressure for passports at the present time. But in regard to the urgent class of cases of the kind, for example, which my hon. friend has mentioned, there is the strongest reason and the strongest desire to seek to meet the demand as rapidly as possible, and our officials are endeavouring to do that. If my hon. friend has in mind any particular cases he would like to bring to my attention I shall make it a point to mention them specially to the passport office, but I hope that too many members will not accept that invitation.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Wednesday, July 3, consideration of the motion of Hon. J. L. Ralston (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Coldwell, and the amendment to the amendment of Mr. Quelch.

Mr. A. M. NICHOLSON (Mackenzie): Mr. Speaker, during the few minutes remaining at my disposal I should like to discuss a matter of concern to my constituency and to a large part of western Canada, namely, the Hudson bay route. While the Hudson strait and Hudson bay have never provided that short sea route to Asia which was the dream of many early mariners, these waters do provide a shorter route to Europe from one of the best wheat producing areas in the world. Those of us who looked forward to this shorter route to provide some relief for western Canada have been disappointed that the facilities provided have not been used to a greater extent. I have before me the annual report of the Board of Grain Commissioners for Canada for the year 1939, and at page 27 I find that for the crop year 1938-39, only 916,913 bushels were cleared through Port Churchill for overseas destination. In the same year we cleared from all our Canadian ports 116,931,215 bushels. But what disturbs me particularly, Mr. Speaker, is that in the very same year we cleared through the port of New York over 7,000,000 bushels, and through the port of Albany over 2,000,000 bushels. We cleared through United States ports in the same year a total of 12,157,315 bushels, or over 10 per cent of the quantity cleared through all Canadian ports.

Those who are familiar with the history of modern transportation will readily understand why there has been opposition to new modes of transportation. When the locomotive was introduced, tavern keepers and owners of turnpike companies were most violent in their opposition to the new method of transport. Farmers were agitated at the prospect of losing markets for horses and markets for hay. Agnes C. Laut in her book "The Romance of the Rails" tells of an eminent divine in the United States who predicted that the use of the modern locomotive would result in many insane asylums being required because people would be driven mad with terror at the sight of locomotives with nothing to draw them rushing across the country.

Mr. Robert R. Livingstone, a transportation mogul of the last century, writing from Albany in 1812 discussed the railroad as a mode of transportation and ridiculed the idea of a train moving along rails at the rate of four miles an hour. But, Mr. Speaker, in spite of the considered opinions of men like Mr. Livingstone, railway transportation has devel-

oped by leaps and bounds, and we in western Canada feel that the Hudson bay route might be used more extensively.

I appreciate the reply which the Minister of Transport (Mr. Howe) made on June 14 to a question I had asked about a more extensive use of this route. I appreciate also the return he brought down for me showing the expenditures that have been made on various routes in Canada. One question I asked was:

1. How much was spent by the dominion government for dredging the St. Lawrence river and Montreal harbour, and for operating and administering the St. Lawrence ship channel during the years from 1935 to 1939?

The return showed that from 1935 to 1939 we spent $18,757,321.69 for dredging and $852,332.83 for operation and administration costs. In the same period we spent, under the Maritime Freight Rates Act, to compensate the railways for the difference between the tolls actually collected and the normal tolls, the amount of $13,279,872.09. During the same period we spent on capital construction $326,083.46, and for operating deficit, $1,472,388.40, or a total of $1,798,471.86 on the Hudson Bay Railway. Expenditures on harbours by the dominion government from 1935 to 1939 were as follows:

Churchill	$ 926,942 57
Montreal	7,040,559 36
Vancouver	2,234,297 35
Halifax	4,954,180 04

In conclusion, I hope the government will bear in mind that in western Canada we have large quantities of foodstuffs, pulpwood and minerals which will be of great assistance to the mother country, and I hope very careful consideration will be given to the movement of these commodities through the port of Churchill and, if necessary, to the sending of convoys to this port from time to time.

Mr. GORDON GRAYDON (Peel): Mr. Speaker, I should like to preface my remarks on the budget by saying how privileged we are as members of the House of Commons to be presided over by one so well qualified as yourself, by every instinct and attainment, for the office of Speaker. I take some personal pride in being able to claim the Speaker of this house as a personal friend. I know something of his impartiality so far as private affairs are concerned, and the manner in which he has demonstrated that quality since his recent appointment has met, I am sure, with approval and favour in every part of this house.

I wish further to preface this address with a brief reference to the passing of the late Minister of National Defence. I knew the Hon. Mr. Rogers intimately. Although from time to time we on this side of the chamber found it necessary to disagree with his views and policies, it was never possible to question his motives. That, after all, is one of the most effective tributes which can be paid by a member of the opposition to the memory of one who held ministerial office, particularly at a time like this.

May I also in passing make reference to the fact that, since the election on March 26 last, we of the Conservative party have lost by death one of our most valuable members, Doctor A. B. Hyndman, member for Carleton. He was the man with whom I shared my office in this building, and I knew him favourably and well. I want to pay tribute this afternoon to his high qualities of character and mind and to the ability and capacity which the doctor brought to bear not only in his private life but in his capacity as a public man. In the loss of men of this calibre one cannot but feel that the hand of death falls heavily upon those engaged in public life, and that the losses which are thus sustained from time to time are not easily repaired.

Dealing with the budget, it seems to me that, more than any other which has been brought down in my experience, the present budget has widened the incidence of taxation. In other words, the Canadian taxpayer is going to feel the pinch in many directions. The pressure of war-time taxation is reaching further and deeper every hour. Yet there has been little or no complaint on that account. There may be objections as to the distribution of the taxation on the score of inequality, but there are and will be no complaints from the rank and file of Canadian citizens as to the taxation itself, because they are ready and willing to submit to these heavier burdens in order to pay for the freedom and the liberties which we enjoy.

When we speak of the sacrifices which are being made by our citizens under the terms of the new financial arrangements set out by the Minister of Finance (Mr. Ralston), may I point out what a very heavy burden is being borne by the working man, by the man who has not reached one of the higher income brackets. Of course he is not complaining, but perhaps the sacrifices he is making are not always realized by his wealthier fellow citizens. To take $10 from the man who has a surplus of only $12 or $13 is a vastly different matter from taking a percentage of their incomes from those who will still have a substantial surplus. Those men and women throughout the dominion who are making the kind of sacrifice to which I have referred are making a contribution second only to that of the men in the armed forces who carry such a heavy responsibility in this war.

I am glad of the opportunity to welcome at this moment the hon. member for Matapedia-Matane (Mr. Lapointe), who has just entered the chamber in his military uniform. May I say to him that the warmth of the welcome which he has received this afternoon is not only an indication of the high regard in which he is held personally, but an evidence that in all sections of our country, including parliament itself, men are taking their part in the armed forces of the dominion to stop the ruthless aggressor nations which would smother us out of existence.

One of the things which must be adhered to closely in regard to the budget taxation proposals is the achievement of a real equality of sacrifice. This principle must be something more than mere words. It should have a real and concrete application. In my contacts with men and women who are in the lower income earning brackets, I find that, while they do not mind paying until it hurts, they want to know that it is hurting equally the other people. They have a right to expect some equality of taxation.

May I point out to the Minister of Finance that during the last few years there have been example after example of governmental extravagance which could not be justified by the most ardent partisan. From time to time we have had examples of the commission form of government. I am not going to deal with them in detail this afternoon, but I warn the government to take heed that this kind of extravagance is not transplanted into our war administration. There must be economy all along the line. When the private citizen is being asked to economize to the last cent, it is not too much to ask the government to act on the same principle in the administrative field.

I would point out to the Minister of Finance and to every other man who occupies a public position that when our boys come back from overseas to take up again their positions in private life, every one of them will be entitled to ask the public men who are in authority in this country during the war, "While we were over there, prepared to sacrifice our all, receiving only the prevailing rates of pay, what were you public men doing in Canada? Was there the same equality of sacrifice here which was required of us over there?" I mention that by way of caution and warning to the government, because to-morrow's Canada will not be either to-day's or yesterday's Canada. Let us realize this fully this afternoon. This war is going to call for the steady hand of every loyal Canadian if we are to see to it that Canada is kept in its proper place, a foremost place among the nations of the world, when this war has ended. I am one of those who believe that this can be done, but there rests upon every one of us a heavy responsibility. We must make sure that while the war is in progress, there shall be at least some approach to equality of sacrifice for all. During this war, pleasure and profit, whether on the part of governments or of individuals, must give place to sacrifice and service. All these activities may have their place in times of peace, but at this moment the war is the only thing that counts. Let us see to it that not one working man or woman, and not one member of his majesty's forces shall have reason to point the finger of scorn or criticism at the expenditures which the government is making. That is the best wish I have for the government, and I do hope that it will be realized in every particular.

When the government is cutting down on extravagant expenditures, I suggest to the Minister of Finance that some day he might visit the Canadian Broadcasting Corporation and see whether all the money they are spending is being spent to the best advantage of the Canadian people in general. I ask for that investigation simply because I am convinced that so far as this branch of the administration is concerned there are some decreases that are long overdue.

We who represent rural ridings are naturally interested in problems of agriculture as well as those which confront us in other directions. We who represent farming communities realize to the full—indeed, we must realize it because the people themselves realize it so well—that, the export market for many of our products having been cut off, the domestic problem facing the farmer is very much emphasized and exaggerated at the present time. I will not go into this problem in detail but I wish to leave a thought with the government, and particularly with the Minister of Agriculture (Mr. Gardiner). Rightly or wrongly, there is throughout the dominion, among the farmers, particularly among mixed farmers, the feeling that there will have to be some change in the marketing of live stock in the interests of the average farmer. The farmers are dissatisfied, and charge the government with some responsibility in this regard. I leave this thought with the Minister of Agriculture so that he may take it into consideration when he is dealing with important matters of this kind in the routine of his department. The farmer believes that he should have more say in the price he gets for his products and in regard to the methods whereby they are marketed.

Perhaps there is no need for me to bring the matter up again this afternoon, at any

rate in any great detail, but I would remind the house that in years gone by we have heard a good deal about the trade agreements with the United States. Why, we used to hear a good deal from men on the government benches—eloquent men too, some of them. Some of them are sitting in front of me now. They were convincing men, because they almost convinced me that the farmer was coming into an era of unparalleled prosperity, that his salvation at last was at hand.

But what has actually happened? I am not making any unjust criticism of the agreements, but I suggest that although the picture looked rather rosy at the time it was being painted, it was not quite so encouraging when it was unveiled. Take the matter of milk and cream alone, for example. What has been the situation since the agreement went into effect? I see one of our Canadian Jersey breeders looking interested as I mention this matter. Well, I am sure he expected more from the agreements than we have accomplished, because, across the international boundary, from Halifax to Vancouver, we have shipped, in milk and cream, since the lower tariff came into effect, only one 8-gallon can of milk a day. I shall not suggest that the farmer who takes that over should have one of the new passports or should come under the new regulations, but certainly he occupies a unique position in Canadian agricultural economy.

I am not criticizing the trade agreements unduly except to show that, in spite of all these rosy pictures that are sometimes painted as an indication of what governments will do for the farmers, the promises held out to the farmers are not all carried out. More particularly, I would deal with another branch of agriculture which has suffered seriously during the last five years. Those hon. members who have listened from time to time to the debates in this house on fruits and vegetables, and who have inquired into the vexed problem that has arisen in regard to these products, will remember that in the agreements in 1935 there were substantial reductions in the protection given the growers of fruits and vegetables in Canada. Despite the fact that they bore more than their share of the burden of imports during the period from 1935 to the signing of the agreement in 1938, the 1938 agreement further reduced their protection by means which I shall not discuss in detail this afternoon; but the result has been that since 1934, the year before the agreements went into effect, we were importing into Canada $15,500,000 worth of fresh fruits and vegetables, while last year we imported 40 per cent more than in 1934, or $21,500,000 worth. In peace time this was paralyzing to our growers, and there were outcries and complaints throughout the country; but in time of war such a situation becomes even more acute, because while we are bringing into the country $21,500,000 worth of fresh fruits and vegetables per annum, we are spending huge sums in an endeavour to get our own people to consume our own products. The whole thing fails to make sense to an ordinary layman like myself, let alone an economist who would know so much more about a matter of this kind. Surely, if we want to solve the problem of overproduction and an insufficiency of markets for our fruits and vegetables, the first step is to shut off imports that are coming in through the back-door. If we do that, then we can deal with marketing the products we have. In addition to the situation I have indicated, our export market in Britain was cut off for many of our fresh fruits at the time when the war broke out, and the whole situation is that much more aggravated to-day.

The worst feature of the whole matter is that Canadian fruit and vegetable growers can grow more stuff now than the people of Canada can consume. That has been shown time after time. I make this suggestion to the Minister of Finance, that the fruit and vegetable growers of Canada ought to be given their home market at a time like this. They should not have to stand for this competition from the United States. At the same time we are spending our own money trying to find markets for our surplus production. May I also suggest—and I am not so sure that the same suggestion has not been made many times before—that instead of simply letting the matter stand with a ten per cent tariff on imports into Canada, the Minister of Finance do something real by way of damming the flood of United States fruit and vegetables, not only of a class or kind which are produced in Canada but also the citrus fruits which to some extent at any rate can be regarded as luxuries, and which are supplanting our own fruits such as apples. I am wholeheartedly in favour of control of importations from the United States of fresh fruits and vegetables, coming into our already overcrowded markets.

With regard to the war, I am not satisfied and I do not think the people of Canada are entirely satisfied that we have by any means reached our maximum war effort. I say that advisedly. I realize that perhaps the government do not agree with that, but throughout the dominion people are trying to do something for Canada and there seems to be no channel through which they can work. There are numbers of men wanting to join the army, the air force and other branches of the service or to do something else in regard to the war effort and they can find no opportunity. Take,

for example, veterans of the last war who from the beginning of this war have been trying in vain to find an opportunity to serve their country, offering the ability, experience and capacity which only they possess.

Another matter agitating the people of Canada is that they want to know just what the law for the mobilization of our national resources really means. As far as anybody can find out, it is just another law on the statute books; for there has not been any registration made; nothing has been done under the act; no questionnaire has been printed; there has not been, as far as I can gather, any real move made to register our people. Perhaps in earlier days governments could take a few months or a year to get the forms ready and everything in hand, but to-day Hitler walks into France and cleans up the whole nation in less than a month. The world is moving, systems are changing so fast that we cannot afford to let two weeks elapse from the time this bill was passed before the registration is commenced. Something should be done by way of waking up the government to the seriousness of the situation. I was not here, I was ill, when the bill was before the house, but I read what the Prime Minister said. He urged and pleaded that the bill be passed that night. I thought we were going to have an invasion before morning. But that was two weeks ago, and so far none of us has even had a registration form to complete.

While there may be criticism of the men of Canada, I want to pay tribute to the women of the dominion, about whom too little has been said in this house, in regard to their part in the war effort. I notice the hon. member for Neepawa (Mr. Mackenzie), who is a particular friend of the ladies, applauding that from the government benches. While men have been doing much talking about registration, about our war effort, and even about the government, the women have actually been doing their job in every county, town and hamlet in Canada. As early as September last, a voluntary registration of Canadian women was started under the leadership of Miss Margaret P. Hyndman, K.C., of Toronto, one of Canada's leading women barristers, assisted loyally by Senator Fallis and others, and during that time it is amazing what tremendous latent power and resources the women have shown through this registration. I shall always hold it against this government that they contributed nothing by way of money or otherwise to that national effort. Not one five-cent piece was ever given to the women for that registration; they did it voluntarily, and throughout the length and breadth of Canada; it is reason for pride that, although we were not pushing our war effort to the full, the women were doing the best they could under circumstances that were not always easy.

In closing, let me say that I do not like to hear from place to place in this dominion pessimistic talk about our chances of success in this war. Let us from this day on, never utter another pessimistic word in public or in private as far as Canada's and Britain's war effort is concerned. While perhaps the situation does not justify jubilant optimistic hopes at all times, we as Canadian citizens have no right to show the white feather when things are going badly, or seemingly so, for the empire. This is the time when every red-blooded Canadian should stand on his feet and say, "England will not fail, England cannot fail." I am disgusted with men who on the air and in the press are always raising technical questions concerning our war effort. We are in this war to a finish. You cannot have a moderately conducted war; it must be either a full-fashioned fight or no fight at all. And I am for a full-fashioned fight, right down to the last man and the last dollar if necessary in order that we may come out of this struggle victorious. We lacked preparedness for this war; the government has to take the responsibility for that, and so does every one of us, because during recent years public opinion had been so trained that we were peace-loving citizens, and the awkward position of peace-loving people everywhere in the world to-day is only too clear. Because we prepared for peace, we were not prepared for war. But those days are past. To-day public opinion has reversed itself on all those matters.

I would point out that at the end of this week the national youth congress meets at Montreal. In my time in Ontario I have had something to do with youth organizations. I want to make this one suggestion—and it will be a friendly and kindly one—to the national youth congress in Montreal: They cannot do a better service to the Dominion of Canada, in the meetings of their congress, than to stand up from the beginning to the end of those meetings and pledge the full force and power of youth in Canada to the winning of the war. I point that out this afternoon because that youth congress will bring to the city of Montreal, many representative youth organizations. I say to you now, Mr. Speaker, that so far as youth in Canada is concerned, this one truth stands out: There is no more loyal body of persons in any part of the world. That congress would do well to come forward and to proclaim that loyalty. It would do well to offer every possible assistance to Canada and to

the empire in our hour of need. My plea is that those young people may forget for the time being some of our domestic problems of youth, and that they may put forth every effort to try to do their part to clean up this mess of war in which we are now engaged, so that in the years to come we may have the freedom and the liberty to deal with the admittedly pressing domestic problems as they arise.

So I say: Let us ban all this pessimism in Canada. Let us bring forward an era of optimistic hope for the future. I say that because we must realize that nothing less than our best, so far as our war effort is concerned, will be sufficient. Let us give that best, as we see it. I should like to see among our people in Canada an inextinguishable flame which would show a great national and united spirit in the land, a spirit similar to that of those who are facing the dangers in England to-day. You men on the government benches, and you men on the opposition benches, as well, can all contribute to that great forward movement in Canada which will show to the world that this dominion is whole-heartedly behind the aims and objectives of the great empire to which we are proud to belong and for which we are proud to fight.

I like the spirit of old England. I should like to see that spirit transplanted to Canada. I should like to see it fostered and nourished, so that it may grow. I should like to see more evidence of that spirit which compelled the song writer to compose these four lines, with which I shall close:

> There'll always be an England,
> And England shall be free,
> If England means as much to you
> As England means to me.

Mr. H. R. FLEMING (Humboldt): Mr. Speaker, I am sure the hon. member for Peel (Mr. Graydon) will pardon me if I do not follow him in a discussion of the divers questions he has raised. With many of his observations respecting our war effort I entirely agree.

The budget presented to the house a few days ago was presented with all the uncertainty of war. There was none of the old-time glamour which always preceded the budget speech. We had none of the last-minute appeals by powerful organizations asking that this, that or the other thing be changed. We heard nothing about last-minute appeals for changes in our tariff structure. Men and women in every walk of life throughout this broad Dominion of Canada for weeks and months had prepared for important changes in our taxation structure.

In these days when shock follows upon shock so rapidly, it is becoming easier for us to accept the incredible. No longer are we easily surprised. We are becoming what might be described as shock proof. In other times I cannot imagine myself describing as good what was said by the Minister of Finance (Mr. Ralston) in his first and valedictory budget; but I think the country generally agrees that in doing so, he has dealt with an unpleasant but very necessary task in an extremely efficient manner. And we have every reason to hope and to believe that it will be an efficacious manner.

That great Canadian newspaper which often speaks so ably for western Canada—I refer to the Winnipeg *Free Press*—said editorially after the budget was presented:

> Everything must be subordinated to supplying the funds for our war effort. The government's budget is built upon sound lines in that it takes money directly from individuals and corporations that have it in their possession because they have received it; but of course, the system will not function if there are undue demands for purposes not at the moment necessary upon the taxpayer's dollar. Every dollar possible of current issue must be made available for the purposes of the war, and into the same channel the public must pour its surplus capital wealth. And this must be done without repining or any looking backward to happier days.
>
> "For what avails the plough or soil,
> Or land, or life, if Freedom fail?"

The *Western Producer,* a Saskatchewan newspaper which often speaks for organized farmers, has this to say:

> The Canadian government has taken rapid and drastic legislative action. We feel certain that the people are one hundred per cent behind this course. The farmers of Western Canada for whom this paper endeavours to speak love freedom and abominate all tyranny. As every reader of these words knows they did not and do not now think that conditions in this wealthy country were or are anything like what they should be. Yet ever since the fateful day when war was declared they have through every organization and mouthpiece, which they possess for making their opinions articulate, spoken with one voice. They have placed themselves and their resources at the disposal of the government, and expressed readiness and eagerness to do everything within their power which was demanded of them. They are ready now.

I give these quotations to show how the spirit of western Canada met the challenge of this budget, the spirit with which she will meet future challenges as they arise from time to time.

I find that, despite what the hon. member for North Battleford (Mrs. Nielsen) said on Tuesday last, I cannot agree with her, even though she may be the only woman in this chamber. I cannot agree with her when she says she is convinced that those who support the government will in the future be adjudged the real enemies of the Canadian people. I believe that this government has done all it

possibly can do to carry on under a united people the prosecution of our war activities, and that it has done this to the best of its ability.

The provisions in the budget are hard and heavy; yet they are no more drastic than the circumstances warrant. I believe they fall as evenly as any human can make them. Perhaps they will make it more difficult for the average man to continue his former mode of living, but it must be realized that we shall have to readjust ourselves. We shall have to change certain of our economies and I believe that there will be a certain equality in those who have the ability to pay. There will be many changes in the economic life of most families, but it will not mean the giving up of many necessities or luxuries. Through the years people have grown to think of many luxuries as being necessities.

Taxes might have been imposed on many other commodities. A few days before the budget was brought down we heard that a prohibitive tariff might be placed on gasoline. Even if that had been done, I believe the Canadian people would have accepted it. There might have been some discontent, but the tax would have been paid. I use this as an example to show the spirit of the Canadian people to-day. They believe in doing everything within their power to aid the government, no matter what the sacrifice may be. They know the urgency of the need and the urgency of the hour.

No doubt it is difficult to find sources and avenues of taxation. Undoubtedly the easiest method might have been to tax certain income, but we do not know at the present time just what effect such taxation would have. That remains to be seen. A lowering of purchasing power means less business, and less business means lower salaries. There was one thing the Minister of Finance apparently had in mind when he was exploring these different avenues of taxation; I am sure he decided that the war activity would produce the money to sustain the effort. We must continue to find money. We must not think that this is the last sacrifice we shall be called upon to make. Our effort must be accelerated until victory is ours. There is no reason why we should think that we have dug down into our pockets as deeply as we shall have to dig. We have not made all the sacrifices we shall be called upon to make, but I confidently believe that the people of Canada are prepared to make any sacrifice.

Hitler and his hordes claim they are fighting to determine the next thousand years of German history. The British empire to-day stands alone in its fight to make sure that a thousand years of dark ages shall not descend upon the whole world. We are fighting against a pagan philosophy. We are fighting for those countries which are already prostrated beneath the feet of the Teuton conqueror who has overrun them in his desire for world domination. Perhaps not all the German people believe in the doctrines of Hitler and nazism, but we must fight a German people flushed with victory before we shall be able to find that out. We certainly do know that there is some division of opinion among the German-Canadians in our own Dominion of Canada. The German Canadian newspaper *Der Nordwesten,* published in Winnipeg, contained in its issue of June 19 an editorial on the French negotiations for an armistice. It had this to say:

> The peoples of all races who make up Canada's population stand firmly behind Canada. No one, either by word or deed, should work against this spirit of unity. That is of national importance. Every Canadian who wishes to retain his personal and political freedom should know that this is the time for help.

In the constituency which I have the honour to represent in this House of Commons there is a large German population. In that constituency is one of the oldest German language newspapers in western Canada, a newspaper that fought against Hitler and his nazi doctrines long before many people heard of them or questions about them were raised in this house. This newspaper, the *St. Peter's Bote,* was banned from Germany some six years ago because of its fearlessness in condemning Hitlerism and pointing out that doctrine as a menace to the world. During its long existence in western Canada it has always upheld the principles of democracy. Its distinguished German-Canadian editor has striven day after day to point out to his readers the great freedom which each and every one of them enjoy as British subjects in this Dominion of Canada. That newspaper has endeavoured to imprint upon the minds of its readers the great blessings of British citizenship in the country of their adoption.

For almost a quarter of a century I have lived in that district. I grew from youth to manhood there. I know these people, and I know they are loyal Canadians and loyal subjects of His Majesty the King. There may be some nationalists, some troublemakers, among them, but those people are ostracized by the loyal German-Canadians just as they would be by any other Canadians. These German people came to this country to seek the freedom and opportunities which would be available to them as Canadian citizens. They came just as our forefathers came from the confines of the empire. During the last great war many of these German settlers sent

their sons to fight in foreign fields in order that democracy might live. As soon as the present war was declared the sons of these hardy German pioneers in that district went forth to serve the country of their adoption.

In any community there is always a certain number of persons who are ready to criticize the government in connection with its policy on international affairs, but the German-Canadian by and large realizes the value of the liberty and freedom he enjoys under our flag of freedom, the union jack. I know Saskatchewan better than any other province. Who would question the loyalty of a man of the type of the minister of public health of the province, the Hon. J. M. Uhrich? Who would doubt the loyalty of Mr. J. J. Mildenberger, a member of the legislature who enlisted immediately after the war broke out? He was ready to fight for his king and country. I could give a long list of those, many of them bearing historic German names, who have offered their all.

Only a short time ago I received from that district the assurance that they had made a voluntary gift of $10,000 to the government to be used for war purposes. This money was raised in Humboldt and district from people of many racial origins, but all animated with one purpose, namely, that this war should be prosecuted to a successful conclusion in order that Christian civilization might be saved.

In the town of Humboldt, which is one of the principal towns in the constituency of Humboldt, there is situated a religious institution known as St. Elizabeth's hospital. It is the mother house of their various hospitals in Canada, and the offshoot of an old Austrian order which has been in existence for three or four hundred years. Some thirty years ago they came to Canada and pioneered, and they have built up a splendid, modern hospital. They know what the invasion of Austria by Hitler has meant to their time-honoured institution in that country, and they came to me and gave me the assurance and the undertaking that in the defence of the country they have learned to love they will do their bit by looking after any refugee children who may be placed in the district of Humboldt. I would plead, therefore, that in our dealings with these people we use forbearance and the utmost kindness. The lives of many of them are difficult because of their names or because some of their relatives who may be living within the confines of the German nation are under suspicion. Let us not persecute them into opposing us. I have no brief for anyone who has any disloyal tendencies, everybody knows it, but these people are absolutely loyal to Canada and the empire, and I am sure that a little consideration on our part will help them to give greater proof of their loyalty. So long as the Canadian government is under the leadership of Canada's greatest statesman, the present Prime Minister (Mr. Mackenzie King), I am sure that war hysteria will not lead us into paths of unjustifiable persecution. We do not want, Mr. Speaker, to develop a minority problem in this country.

The hon. member for Qu'Appelle (Mr. Perley) has injected into this debate a subject which is of great importance to those of us who come from western Canada. So important is it that we cannot call it a side issue. It deals with our basic industry, the marketing of our wheat.

There have been in the last number of years many attempts to formulate a wheat policy which would be of assistance to the western wheat growers. The question was discussed in the house last year from various phases and angles, and now that the country is in the throes of a terrible war, a war which none of us ever dreamed would have the ramifications it has had, necessarily this great question of wheat marketing has been affected by the many rapid changes that have taken place on so many different fronts in continental Europe. Markets that we once held have now been lost, and other markets must be found. During the years that Germany and Italy were trying to develop themselves into self-contained countries in the hope that they would be able to feed themselves in time of war, when they knew that the great wheat-growing areas of western Canada would be isolated from them by the British navy, the wheat producer of our Canadian west was a victim of these war preparations just as much as any other group of people who have suffered from the war.

In the last war western Canada as a wheat producer, was a vital war weapon. In this war we have an overproduction of wheat, and if our wheat fields do not lie idle our people feel at least that they could make a greater economic contribution than is presently demanded of them. I would suggest that the government establish factories for war supplies wherever possible in western Canada. If the people of those western plains are to be kept on the land, some effort must be made to find a market for their produce. Factory towns are needed in western Canada to provide a local market for the farmers. Such industrial centres might well be established at the present time because perhaps the day and hour will come when the great industrial towns near our coast will be in danger, and then it would be a veritable godsend to have

established on the prairies munition factories which would be out of range of danger at least for the time being. It might be the decisive factor in supplying the needs of our armies which may then be in the field. The government at this time has an excellent opportunity of putting this to the test by sponsoring and encouraging the establishment of war industries in western Canada.

Another question which has come up from time to time in the last few years, is in connection with the grain exchange. For some reason or another the western farmers feel that the grain exchange is responsible for a great deal of their misfortunes. I am not in a position to say whether the grain exchange should be closed or not. That is a matter to be decided by the technical officers of the department who are administering the act. But I would say that if the grain exchange is serving no useful purpose, if it is not needed, it should be closed, and that would silence that opinion which holds that the grain exchange has brought misery upon western agriculture. That view may or may not be true. Someone applauds, but I am not in a position to say whether that is so or not. But if the grain exchange is not serving a useful purpose, would it not be a good thing to close it and so prove for all time that it was not the grain exchange which was responsible for all the misery that has come to western Canada?

I entirely agree with the hon. member for Qu'Appelle in his statement that changes in government policy should be announced in the House of Commons when parliament is in session. An English Prime Minister used to say that the only information he had was what he read in the newspapers. He said it more or less as a joke, but it is past a joke when day after day the policies of the government are announced in Winnipeg or at some other point before they are made known to the House of Commons. The Minister of Transport (Mr. Howe) admitted the other day, in reply to a question by the hon. leader of the opposition (Mr. Hanson), that announcements sometimes went out before they even reached his office, and he stated that he would give an undertaking that as soon as he received such information he would make it known to the house. We have given the government all the authority that we could possibly give them, and surely they now possess sufficient authority to make the giving out of information to the press prior to the time it reaches this House of Commons an offence which will be dealt with in a stringent manner.

The other day the hon. member for New Westminster (Mr. Reid) stated that the civil service commission was becoming a bureaucracy, and that this bureaucracy was growing up in Ottawa and perhaps in other cities where there were large numbers of civil servants. I have no quarrel with the civil service. I believe in the merit system, but sometimes we see that merit system misused, misused right before the eyes of members of parliament, right within the precincts of this House of Commons, and then one begins to wonder what would happen if he knew all the inner workings of it. I remember, when a committee of this house was inquiring into the service—you, Mr. Speaker, were a member of that committee—how difficult it was to get any information in connection with this closed corporation. But a bureaucracy, as the hon. member for New Westminster said, brought proud France almost to her knees and caused considerable difficulties in Great Britain. The bureaucracy which has grown up in this city of Ottawa is a prize packet of ineffectiveness, and it is all wrapped up in a neat little bundle and tied with red tape. The story is told of a civil servant who lost the key to his desk. He waited two or three days, and finally one of the employees of another department came along and asked him how he lost the key, where he lost it, and a number of other silly questions. Several more days elapsed, and another man came along to estimate how much it would cost to get a new key to open the desk. After about a couple of months a third employee came up to open the desk.

Perhaps that is just a story. But there is another one which is going the rounds here, concerning certain employees who were doing some work at the Hunter building. They had to punch a time-clock on George street, so it took them half an hour to walk to work; it was half past nine before they arrived at the Hunter building. It was also necessary for them to leave half an hour before noon in order that they would have time to punch the George street clock. When they returned after lunch they would go to George street to punch the clock, and arrive at half past two to begin work. Finally, they would leave the Hunter building half an hour before closing time in order to punch the clock at the closing hour. By this means they lost practically half a day going down to George street to punch the clock; but that was a regulation; someone was responsible to see that the regulation was carried out, so the clock must be punched or some employee would not have any job.

Anyone who thinks that these examples are exaggerated should make an investigation of the rules and regulations. I often wonder that any cabinet minister has a hair on his

head, that all his hair has not been pulled out in a fit of exasperation with this bureaucracy of civil servants. Of course I realize that, when a member of parliament becomes a privy councillor, one of the first "pep" talks he gets is to the effect that he must depend at all costs on the civil service, because, as the hon. member for Témiscouata (Mr. Pouliot) has said, if you say anything about any of them they at once jump up in their places and defend the accused civil servant at all costs, whether they know he is right or wrong; if he is a member of this bureaucracy he must be right.

The government had a mandate from the people while this country was at war to carry on the war effort. This mandate was received not when the war first began, but when we were in the midst of it, and when the Prime Minister had told us he shuddered to think what would happen when the teriffic battles then pending were in progress. I believe that the Prime Minister and the members of the government are doing their best to work out the vast and perplexing problems which confront them. I am, and I think the Canadian people should be, deeply grateful to the Prime Minister for his leadership. I believe all Canadians realize his qualities of mind and heart and are grateful for his leadership. He has associated with him some of the best brains of the country to advise the government on the many technical questions which arise in connection with this war.

There has been some discussion at various points with regard to the new mobilization order, and certain newspapers suggested that some of us had gone back upon our election pledges in connection with what they term a conscription bill. Let me read what His Eminence Cardinal Villeneuve, Archbishop of Quebec, recently stated:

> The righteousness of our cause should lead us to make sacrifices to ensure its triumph. All Christians in the dominion and the millions scattered throughout the empire find in the teachings of Christ the truest and strongest grounds for their loyalty to their earthly sovereign.

The present mobilization of our material resources as represented in the budget may seem to some a considerable sacrifice compared with peace-time standards, but it is a small price indeed compared with the consequences of defeat.

Our freedom has been hard-won. Our ancestors paid for it in blood, tears and sweat, and we are called upon again to pay the price. Are we to be unworthy of that heritage? Are we, in this hour of the nation's history, to betray those who died in order that justice, liberty and honour might live? Are we to betray those who believed and still believe in human dignity and human worth? Shall we allow the world to slip back into the dark night of oblivion because of our failure to see our problems and to see them whole, or our unwillingness to make the sacrifices which our leaders demand of us?

We are facing a new world—an almost unbelievable world. We cannot afford to be complacent or we shall soon be rudely jarred out of that feeling of self-satisfaction. France, after she had signed her "honourable" peace, has in the last few days learned what that has meant. She has been forced to turn over her radio sets. That is a small thing, Mr. Speaker, but it is just the beginning of what Hitler-domination will mean. Let us not carelessly cast away the liberty we possess as though it were something which had not been hard-won. The time has been reached when the almost unbelievable is approaching, when perhaps that little island of Britain, now becoming the greatest fortress in the world, will be invaded. But Drake put the great armada to rout, and I am confident that England will know how to deal with Hitler's new armada of the air. I can think of no more suitable words to quote at a time like this than those of the greatest of poets, Shakespeare, in his play "King John":

> Come the three corners of the world in arms,
> And we shall shock them.

And again:

> This England never did, nor never shall,
> Lie at the proud foot of a conqueror.

May we gladly and proudly do our part that those words may remain true.

Hon. H. A. BRUCE (Parkdale): Mr. Speaker, may I first congratulate the Minister of Finance (Mr. Ralston) upon his budget speech. He performed a most difficult task with rare ability and with commendable lucidity of statement. Ordinarily these taxation proposals would have been a bitter pill for the public. Their unanimous acceptance is the best possible proof of the resolve of the people of Canada to spare nothing to ensure victory.

A great deal has already been said on the budget. I propose to attempt to look the present situation and its utmost needs in the face, and then to ask whether this budget, the financial programme, the defence programme and the general policies of the government are sufficient for the job in hand, and if not, by what means a greater effort might be more quickly obtained.

We shall all agree with the Minister of Finance that the budget provisions should

have as their first objective the raising of money to ensure the maximum war effort. I think we shall all agree that taxes designed to cut down the demand for luxuries in order to swing more men and more machines into the production of munitions would be a good war-time measure. Knowing the Canadian people perhaps as well as the Minister of Finance does, I share his confidence to the utmost that they will shrink from no contribution to ensure the soldiers, the sailors and the airmen of Britain and Canada all the machines and equipment which can be produced or procured. But it is vital to ask if these taxes, if the financial policy of the government, if the political preoccupations of some of its members are such as to permit the defence of Canada and the empire to develop as rapidly and as effectively as it should. That the Canadian people are willing to carry any burdens which tend to ensure the maximum war effort should make the government strive the harder to see that that willingness is not imposed on, that no burden is added until its need is apparent, and that the small wage-earner, the salaried man, be not asked to dissipate in tax demands all his savings as represented by bank deposits and insurance policies as well as savings invested in homes, automobiles, radios, refrigerators, pianos and so forth. He must pay more, as all must pay more; but the whole history of the development of the industrial and economic life of the two great nations inhabiting North America shows that their greatest achievements have been made by enlisting idle capital to back men and their labours and plans.

The Minister of Finance made a partial statement when he said: "Common sense will tell those who think the taxation too drastic what will become of their property or their incomes if Germany and Italy should conquer the British empire". Common sense and practical experience should tell this government that no ordinary man can expect, out of current earnings, to meet a major emergency in his private life and fortune, nor does he try, unless he is very rich, to finance the establishment of a plant or factory out of current income. For the emergency he uses his savings of months or years, borrows on his insurance, his house, his possessions, his securities or his credit, and then adjusts his income to the task of servicing the money which came to his aid from others, or replenishing his savings if he dipped into those. The establishment or expansion of a business in a major way would generally be financed in like manner.

[Mr. Bruce.]

The defence of Canada is both a major matter and a capital problem. A patient might as well try to finance the removal of his appendix while the operation was proceeding as for us to try to pay for this war, as we go, out of current earnings. Certain members suggest that the Bank of Canada finance this war by monetizing the dominion's credit. That would throw us into an orgy of inflation worse than this continent has ever dreamed of, I am afraid.

Mr. SPEAKER: I am sorry to interrupt the hon. member, but the other evening I had to call the attention of another hon. member to the fact that he was reading his speech and to ask him to refrain from doing so. I must ask the hon. member to try to conform to the rules in this regard as closely as possible. I would ask him not to read his speech.

Mr. BRUCE: I am following my notes closely, Mr. Speaker.

Mr. SPEAKER: But the hon. member whom I interrupted the other evening also suggested that, in reading his speech, he was following his notes closely. I would ask the hon. member to refrain as far as possible from reading his speech.

Mr. BRUCE: I will refrain as far as possible, Mr. Speaker, but I am only following the example of many others in this house, including the Prime Minister himself.

Mr. SPEAKER: When I made the statement in the house on another occasion in regard to the reading of speeches, I pointed out that ministerial statements were read in order that they should be meticulously accurate, and the same practice and custom have been observed in the case of the leader of the official opposition. But there is a rule against the reading of speeches and all hon. members should try to conform thereto. They may refer to their notes, but they should try not to read their speeches.

Mr. BRUCE: I am speaking on the budget, Mr. Speaker, and I am anxious to be as accurate as possible. Therefore I have to stick to my notes fairly closely. However, I shall do the best I can.

Fortunately the remedy which certain hon. gentlemen suggest, where the cure might be worse than the disease, is not necessary. The idle capital, including industrial plants and equipment and skilled workers, which can be enlisted endlessly and diverted into the manufacture of munitions, should be called upon to the limit. We should borrow all the

funds which Canadians are not using in worthwhile enterprises, and turn this money to work in the war. That will take care of the emergency more quickly than current funds can do.

We lack the capital equipment for war. The minister himself says that we are paying the price of long years of wishful thinking. He also truly says that the Huns are hammering at the gate. The first war budget in September was a scholarly treatise, on the best financial practice as the government advisers saw it, on how to tax and borrow for war. This was to be a pay-as-you-go-war, as everybody expected, and the most incalculable of earthly occurrences would proceed along ordinary lines and Canada could gently increase this effort as increasing business provided more taxes and more savings to borrow. That is all changed, but I fear that the point of view which is shown in that budget still makes itself evident in this new one. We must create our defence equipment and get it into full working order as quickly as possible. That can be done only by mobilizing savings and the wealth in plants and materials and in the men of Canada.

The minister expects his new taxes will produce $280,000,000 in a full year, and he expects to get $600,000,000 more by borrowing. But if he can procure $280,000,000 additional in taxes, that would service eventually $5,600,000,000 of loans and eventually extinguish them, provided five per cent be set aside each year for interest and sinking fund.

Mr. RALSTON: Extinguish them in how long a period?

Mr. BRUCE: I have not worked out the number of years.

Mr. RALSTON: Well, that is very important. My hon. friend is making the argument that this is not a pay-as-you-go budget. It is not intended as an entirely pay-as-you-go budget, but what we are doing is taxing $278,000,000 eventually, as my hon. friend says, for an expenditure which may be $900,000,000.

Mr. BRUCE: The minister expects an expenditure of about $1,000,000,000 a year. This could be financed by $50,000,000 of taxes on the same basis, and would add in the first year less than one-fifth of the burden. Moreover, it would make as quick a contribution to the war effort, and possibly a quicker one. There would be more private money to expand the war effort and a more hopeful spirit about our ability to do all that is required. So why unnecessarily increase five or six times the burden of the small salaried man? Why penalize the laudable private efforts of citizens to save, invest and insure, to own homes and expand their businesses? Can a nation become richer by such taxation if its people become poorer? What about the post-war period? Borrow until Canadians are fully employed and we are making the maximum effort. That is capital expenditure for the planes, tanks, guns, shells and ships that the government should have started providing years ago. Current expenditure on such capital equipment after the war should be provided by taxes. Any excess now is in the nature of emergency, and calls upon our resources of stored funds. A maximum effort calls for Canadian plants and men to satisfy British needs and our own on the fastest possible ascending scale. It calls upon us to get an immediate understanding on measures for the common defence of this continent.

To the United States it would easily be worth a billion dollars to be sure that Canada can defend itself adequately. It would be worth twenty billion to that country to make sure that the British navy and air force would hold Britain and the seas while this continent turns its peace strength into war strength. Possibly the finance minister might find in such an understanding elements which would reduce his chief worries materially. The need of United States money to finance purchases in that country justifies his exchange differential and his ten per cent addition to the customs duties. It is an emergency duty, and an opportunity for the United States to provide adequate credits for purchases we make to keep Britain fighting the Huns strongly and for our own defence. Why not secure us this help in place of taxes which may lead to a general effort of wage-earners for increased remuneration, thus tending to the inflation which the minister seeks to avoid?

All arrangements made to stop consumer expenditures that keep valuable men from munition work are good, and we applaud them. No financial alchemy would prevent taxes, borrowing and credit expansion from exacting hardships from Canadians if they do their best in war. But the hardest road is being trod by the finance minister. We could all stand the ultimate dose better if it were increased gradually from current income and quickly from funds made available by borrowing.

It is nevertheless deplorable that there were in the minister's speech no indications of a serious curtailment of expenditures in every department unnecessary to the prosecution of the war. In answer to questions directed to the Minister of Transport (Mr. Howe), I am informed by a return tabled in the house that it is the intention of the government to permit the Canadian National Railways to expend

$3,050,000 during this year on their ill-conceived and ill-fated terminal at Montreal. The history of this famous adventure in the waste of public funds is too well known for me to need to bring it to the attention of the house. The only defence offered for the decision to recommence the work something over a year ago was that since $16,000,000 had already been wasted it was vital to continue the waste. What could be more outrageous, in view of the severity of budget requirements, than the decision to expend $3,050,000 this year on that terminal?

The Minister of Finance recently inaugurated a campaign for war savings certificates, in sums as small as twenty-five cents, among school children and others. The children have been asked to abstain from candy in order to buy these certificates. Workmen's families have been asked to cut down household expenditures in order to buy them. How can the minister possibly justify this campaign for sacrifice even by children, if the proceeds are to be poured into a big ditch in Montreal? Furthermore, this terminal project involves waste of labour and material very urgently needed for the manufacture of munitions of war. A decision to suspend this work at once would save a large sum of money. I am aware that contracts have already been let for some of the work, but government contracts have been cancelled since the war began, and I urge the government to issue instructions at once for the immediate suspension of work on the Montreal terminal, and to advise the officers of the Canadian National Railways that they must use their existing facilities as best they can. It would be nothing less than criminal to allow this expenditure to continue when the country is faced with the great problems of the war.

Yesterday I received from the office of the director of public information a copy of a radio speech made on the night of July 1 by the Secretary of State (Mr. Casgrain) over the French network of the Canadian Broadcasting Corporation. I agree with the director that this is an important speech and is worthy of comment. The Secretary of State started out by saying:

> What day could have been better chosen to speak of national unity than that of the dominion which we celebrate to-day?

Further on he said:

> All this shows that the union of the diverse elements which compose our country is a guarantee of general well-being. All this shows also that in the hour of peril unity alone can save a country in danger.

And further on he says:

> For a long time we have been able to delude ourselves with a fictitious isolation. I said just now that circumstances are dictating our line of conduct. They are of such gravity that they also require us to consider them on a plane quite superior to that to which we have been accustomed. This means that to safeguard our liberties, our language, our economic and social life we must cease every quarrel and every campaign which has not for immediate object the pursuit of the war and our final victory. Only on this condition will we Canadians, a small people with great ideals, survive. I beg of you, my fellow countrymen, to be realists.

Those are noble words which every loyal Canadian will applaud. When reading this speech this morning I could not help wondering if it had been censored by the Prime Minister (Mr. Mackenzie King) before it was given, and if he still maintains the attitude which he expressed so forcibly in this house less than two weeks ago. I do not intend now to refer further to what happened on that occasion.

I want to reply to questions that were asked me a little over two weeks ago by the hon. member for Parry Sound (Mr. Slaght). I was then speaking about subversive elements. The hon. member wants to know, first, if I have personally located and investigated persons whom I believe to be guilty of subversive activity, and reported same to the Minister of Justice (Mr. Lapointe).

The hon. member may think this is a clever lawyer's question, but I have to tell him that I have not played the part of a detective. That is not my profession, nor is it part of my duty as a member of the House of Commons. Those who have investigated, being men responsible as police for the public peace and safety, have done this work and reported names and organizations to me. They have also reported names as long ago as May 16 to the Minister of Justice, and received a reply to the effect that the information would be laid before a committee of parliament.

Question No. 2 is fully answered by the answer to question No. 1.

Then, in question No. 3 the hon. member wants to know if I am aware that public criticism, unsupported by facts, of the Royal Canadian Mounted Police regarding their performance of duty, is an attempt to destroy the confidence of the Canadian people in such force. I think I am aware of as much along this line as is the hon. member for Parry Sound. I am further aware, although he does not seem to be, that I have not made criticism of the Royal Canadian Mounted Police force, as a force, at all. But I have made criticism of the administration of a great public trust by a department of government. And I intend to continue that criticism whenever justified.

Mr. HANSON (York-Sunbury): Quite right.

Mr. BRUCE: I may further inform the hon. member for Parry Sound that when I speak in the House of Commons I always speak on my responsibility as a member, just in the same way as did the Minister of Munitions and Supply (Mr. Howe) speak on his responsibility as a minister of the crown when he said that tanks could not be made in Canada.

Mr. ROWE: Hear, hear.

Mr. HANSON (York-Sunbury): And they are going to make tanks.

Mr. BRUCE: No one can forecast with any degree of certainty the exact nature of the test Britain will shortly face. But whatever it is, we can be confident that she will meet it unflinchingly and without yielding. It may very likely result in shifting the centre of the war effort to the new world—not because Great Britain will yield, but because a beleaguered fortress cannot carry on normal production, and cannot plan for the next year's output to achieve victory. This means that Canada will become the very heart of the empire defence arrangements. In coordination with the United States, and aided by the other dominions we shall have to carry on the fight from here, and become the main British war industry and supply centre.

I wonder if we have yet grasped what this means. It implies an army of probably 500,000 men, or even more, for home defence, as well as for ultimate overseas duties when and where they can be used. It implies a production programme many times as great as anything we have yet envisaged. We must make planes, tanks, guns, shells and armoured cars on a prodigious scale. If there is the disturbance of British production, to which I have just alluded, they may wish to send us shiploads of machinery, and they may also send mechanics to reestablish their aircraft, munitions and equipment industries in Canada. Aerial interruption may soon reduce Great Britain's war effort by fifty per cent. Let us therefore offer Great Britain all our facilities for the reestablishment of those factories here.

I wish to commend the able, efficient and very much overworked Minister of Munitions and Supply for setting up the control board over industries which has just been announced, and the duty of which will be to mobilize Canadian industry as speedily as possible for war services.

I shall now for a few minutes turn to a problem which is agitating the minds of thousands of generous-hearted women and men throughout Canada. It is that of the disposition of countless British children whose lives are in peril from nazi bombers. The response of Canadians, and especially of Canadian womanhood, to the necessities of the situation, is one of the noblest episodes in the history of this country.

The country had to wait until June 27 for a comparatively complete and explicit statement from the Minister of Mines and Resources (Mr. Crerar) on what was being done. That explanation was made exactly thirty-one days after my first inquiry as to what the government proposed to do. There is no reason why the problem respecting the internees the British government may desire to transfer to this country should have been mixed up with that of bringing the children to safety in Canadian homes anxious to receive them. Precious time has been lost, and the peril to the children has increased with each passing day. We are now assured that by the end of this month approximately 5,000 British children will have arrived in this country. In view of the fact that there are 7,000,000 children in the British isles who are exposed to imminent danger, surely more attention and energetic action are necessary if they are to be saved. I suggest to the government that an invitation of an unlimited nature be extended to Great Britain to send as many children to us as she wishes and we shall give them hospitality for the period of the war. Surely Canada can undertake the financial responsibility for this great philanthropy now and make the necessary adjustments later on. The halting manner in which the government has approached this question must inevitably lead to a comparison with our sister dominion Australia which has agreed to adopt, that is, to assume full financial responsibility for 15,000 British children. Is it not better to let these children sleep, if necessary, in the open fields of Canada rather than be bombed in their homes in England?

Mr. NORMAN JAQUES (Wetaskiwin): Mr. Speaker, we in this group regarded your predecessor with respect, and may I say with affection. I have no doubt that we shall come to regard you with the same happy feelings.

Before I commence my remarks on the budget, I should like to repeat the stand which we in this group take toward the war. This was stated last September, and the policy which we advocated then has, with one exception, been adopted by the present government. The conscription of finance has not been put into effect. We Social Crediters believe in individual freedom above all else. We hate dictatorships. I say that because I do not want any remark which I may make interpreted as being anti-British or pro-German or anything of that kind.

The hon. member for Acadia (Mr. Quelch) introduced an amendment of which I was the seconder. I oppose this budget because it is deflationary and debt forming. Moreover, it is not a true statement. It still is founded on the fallacy that governments can acquire the money which they need only by taxing the people or by borrowing. That is not true. The greater part of the cost of the last war was financed, and the greater part of the cost of this war will be financed neither by taxation nor by borrowing from the private citizen; it was and will be financed by borrowing from the financial institutions which can create the necessary money by simply writing figures in a book. I should like to quote briefly from a speech recently delivered in the British House of Commons by Mr. Stokes, the member for Ipswich. He said:

> The chancellor referred also to the gathering momentum of the national savings scheme. He told us that at the present time the weekly savings amount to £5,000,000. Taken alone, that is a monumental figure, but I cannot help remarking that to me it seems to be much more of a gathering lag, because we are spending at the rate of £42,000,000 a week and are collecting from the small savers only one-eighth of that amount. I do not wish to detract from the national savings scheme under the present system, and I see that it is necessary, but I cannot help thinking that it is a great swindle, if I may so call it, to allow the big moneylenders to get away with the swag behind a sort of veneer of small holders who will kick up a tremendous fuss when the war is over when one tries to deal with these loans, if they are going to be raised, as I suspect, in accordance with established custom.

We shall have the same conditions imposed after this war as were imposed after the last; that is, tremendous taxation will be imposed in order that the interest on the debt may be paid. As the member for Ipswich said, this is largely a swindle. It is a debt created, not by borrowing the savings of the small investor but by the financial interests simply writing figures in a book. We hear a great deal about the value and virtue of thrift. As I said, I am opposed to this budget because it is mainly devoted to deflation and debt. It imposes tremendous taxation which will have the effect of causing unemployment. Thrift has lost its real meaning. Originally it meant the putting of materials to their best possible use, but to-day it simply means the saving of money. One can save money only at the expense of the community. That should be obvious to all. To-day money is a religion; it is the modern idolatry. The banks are the temples and the bankers are the high priests. They have a choir or a chorus of economists whose jobs and emoluments depend upon the amount of flapdoodle which they can put into textbooks and the amount of dust which they can throw into the eyes of the common people.

I remember a certain professor of economics who came to Alberta in the summer of 1935 to point out to that province the dangers of social credit. According to him any money that did not originate in a bank was toy money. It was toy money that produced the German tanks, guns and flying machines, and it was sound money which produced the toothpicks which the French soldiers had to use when they faced those modern weapons. That particular professor was rewarded for his efforts on behalf of the banking and financial interests by being appointed economist of the Rowell commission. I venture to say that any economist, were he to speak the truth, would very soon lose the chair he happens to be occupying in any university. One has to undertake the job of monetary reform to find out how strong the opposition is to any kind of truth when it affects finance and the financial interests.

So it is with the press. I have nothing to say with regard to the newspaper correspondents, but so far as financial knowledge and financial truth are concerned I say that the so-called freedom of the press is nothing but the freedom of the oldest profession on earth, the freedom to prostitute itself to the highest bidder. There are a few honourable exceptions. I might mention the Ottawa *Citizen*, the *Western Producer* of Saskatoon, and a paper in my riding called the *Wetaskiwin Times*. There may be others, but these three I know to be honourable exceptions to the rule.

I should like to follow a little further this idea of thrift, the idea that it is a virtue for the individual to save money, and that the nation can prosper when the majority of its citizens are saving money. I believe that to be a complete delusion. I believe it to be beyond argument that the individual can save money only at the expense of the community. If a man saves money, what is he doing but selling more than he buys? And if he succeeds in doing that, then somebody somewhere must be buying more than he sells; in other words, he must be getting into debt. So it is that the whole object of saving money is to get people into debt.

Let us see some of the consequences of this virtue of thrift. I saw the other day figures with respect to Canadian insurance for the last twenty-five years, and insurance is one of the great means of saving money. Since 1914 nearly six billion dollars' worth of insurance has been dropped. This means that thrifty people in those years have undertaken

to pay for six billion dollars' worth of insurance which they have had to drop. The other day I was talking to one of the greatest financial authorities in Canada and I asked him this question: "Why did the French leave off completing the Maginot line just exactly where the Germans broke through in 1914?" He replied that France had a financial crisis and they had to economize; they had to save money, and so the line was not finished. I should like to know what has happened to the money which was saved by that little piece of economy. I asked him: "What would you say would be the value of the bonds and securities of France and Belgium to-day. He said: "Rather less than the paper they are written on."

I remember reading some letters by Rudyard Kipling after the last war. He was thoroughly familiar with France and the French and spoke with the greatest admiration of the French habit of saving, or rather hoarding—saving their money, putting it into bottles and then burying the bottles in the garden. Some of them were known as one-bottle men and others as two--bottle men. I am curious to know what has happened to those savings.

And so with our own country. How many savings were lost during the depression? How many people have lost their homes or their equity, their business, as a result of the depression? The depression, of course, was largely the result of this virtue of thrift. We have come to regard money as wealth and to have the idea that there is only so much of it, and that if we spend so much of it over here, there is none to spend over there. We have come to be so mean, so incredibly mean, that we cannot even afford to raise families; we cannot afford children. We allow our own victims of the depression, those on relief, $4 a month to live on, while interned enemy aliens are granted $10 a month for the same purpose.

A certain acquaintance of mine—he is a barber in Alberta—has violent feelings on the subject of money and social credit. He is very much opposed to social credit, and he generally has a tale of woe to tell me if I happen to be sitting in his chair. It goes something like this: "I have saved my money all my life. I have not a radio. I have not a car; I cannot afford one. I have saved my money, and so if I get sick or if I am unable to work I shall not be a burden on my neighbours." And I say to him: "No, the only difference between you and the others is this: You have been a burden on your neighbours all your life, only you do not happen to know it." For consider, he is getting his living by shaving people. "Well," as I tell him, "that is not a necessity. Suppose all your customers had said, 'I cannot afford to be shaved; I am going to shave myself.' What would you have done?" "Oh," he says, "that is different." Of course it is different; it always is, to the thrifty man.

I know a certain hotel keeper in that part of the country who complains of the same thing. He objects to farmers coming in on Saturday evenings and taking their wives to a movie, or even to a restaurant to have a cup of coffee; he says that is the reason why they are hard up. "Well," I tell him, "you have sold a lot of beer in your time. I have drunk a little myself." "Oh," he says, "that is different." "Yes, of course it is different, because that happens to be the way you make your living. But if everybody became as economical as you say they ought to be, you could shut up shop." Certainly that is true. How can all save themselves into prosperity if one man's income is another man's expenditure?

I should like to go into this matter a little more scientifically, because, as I see it, it is one of the most important questions we have to face. I believe everybody will agree that if money is merely hoarded, is put under the ground, it will cause a shortage of purchasing power. But the result is the same if the money is invested. It does not matter whether it is invested by private individuals or by corporations; the effect is the same. Money exists in two forms—capital and income. It is the property of capital that it can create only costs, and it is the property of income that it, and it alone, can liquidate them. And if we admit, which I am not willing to do, that there is enough income distributed to liquidate the costs which are created, then by the amount to which that income is not used to liquidate those costs, costs are not liquidated and mount up as a debt.

Or we can look at the question in this way. A man saves part of his income and invests it. Very likely he buys his securities—at second hand—from a bank. When the bank bought those securities it created the money to buy them with, and when the bank sells those securities it destroys the money which it gets in exchange. That amount of money is taken out of circulation and is destroyed.

I know, after seven years' experience as a monetary reformer, the sort of opposition which one meets as soon as one advocates monetary reform. I recall that in Alberta prior to the last election there was a hatred towards social credit far exceeding the hatred towards the common enemy. That sentiment persists to this day; the campaign against the present Alberta government has never ceased.

The reason is that, to our opponents, money is a religion or an object of idolatry, and to criticize it is blasphemy.

At the time when, in 1934, Major Douglas was a witness before the committee on banking and commerce I, of course, was not a member of that committee, but judging from the testimony, and after discussing it with those who were there, I have no doubt that Douglas was regarded as a criminal, or the equivalent.

Mr. RALSTON: Major Douglas was regarded as a what? I did not hear the hon. member.

Mr. JAQUES: I would say he was regarded as a criminal by some and as a fool by others; either as a knave or a fool. But when a banker was on the stand, it was "Yes, sir" and "No, sir" and "Please, sir" and "Thank you, sir."

Mr. RALSTON: I wonder if my hon. friend will find in the evidence of that banking committee a single instance in which it was said, in addressing a banker, "Yes, sir" or "No, sir."

Mr. JAQUES: That may not have been expressed in those words—

Mr. RALSTON: No. The hon. member is drawing on his imagination; that is all.

Mr. JAQUES: —but it was certainly implied, even when bankers had the impudence to stand up before a committee of this House of Commons and deny the fact that they create money. That is the attitude we encounter when we attempt to throw a little light upon this mysterious subject of money and banking.

The money with which to finance this war will not be borrowed from the small lender. It is impossible to finance a war out of taxation and current savings. As the member for Ipswich said, it is not done in Great Britain, where, while £5,000,000 a week is collected from small savings, £45,000,000, or nine times as much, is spent in the same time on the war. I take it that the other £40,000,000 is created in the time-honoured way of a fountain pen and figures in a book, which amount will be saddled on the people after the war as a debt, and they will be taxed to death; just as they were after the last war, to pay interest.

The other evening the hon. member for Calgary East (Mr. Ross) undertook to criticize the government of Alberta. I am not here to defend that government and I do not intend to attempt to do so. I believe that the people defended and vindicated it on the 21st of March last. In this connection it may be useful to read a short quotation from the report for 1937 of the Bank of Canada. Referring to the Liberal administration in Alberta, which lasted from 1905 to 1922, the report states:

> The 1905-22 period was characterized by (1) waste, (2) loose administration and (3) incurrence of debt . . . which could not be justified even when allowance is made for the optimistic spirit of the times.

I was a resident of the west even before the province of Alberta was formed. I well remember the period between 1905 and 1922, and I think the bank's statement in this connection is fully justified. Certainly the hon. member for Calgary East has no proper grounds for criticizing the present government of Alberta. At least it is trying to bring about better conditions. Where were he and his friends during the great depression from 1930 to 1935 when wheat was selling at twenty cents a bushel, hogs at two cents a pound, cattle could hardly be given away, and millions of people in Canada were looking for work? There was not a sound from them. They were silent. We never heard anything of them until the people got together and formed a government to do the best it could to bring about better conditions; and from that day to this we have had nothing but criticism and an attempt to undermine that government. But that is not to be wondered at because the leaders of the so-called independents, or practically all of them, are counsel for the financial interests. The majority of them are. They are paid to represent the banks, the mortgage companies and the financial interests, and naturally it is those interests which they wish to serve rather than those of the mass of the people. Our opponents in Alberta are even now agitating in the province, creating division, for a return of what they are pleased to call sound government, which of course means government controlled by sound finance. I would point out, not that it should be necessary to do so, the results of that sound finance and sound government in the world to-day. We find them in a ghastly picture.

Objection was made by the hon. member for Calgary East to experts who were brought here from England at the enormous expense of $6,000 a year. I would say that if their advice, or at any rate the advice of those who head this movement—and it is a world movement—had been heeded while there was time, we should not be in the ghastly situation we are in to-day. When Douglas was before the banking and commerce committee he said something to this effect: If you persist

in going in the direction in which you are now going you will bring about the greatest disaster that the mind of man can conceive. Events, I think, have proved that his words were correct.

Mr. GOLDING: Tell us what he said for the $500 he got.

Mr. JAQUES: I could not hear the question.

Mr. GOLDING: Would the hon. member tell the house the rest of it, what he told the committee for the $500 which he received?

Mr. JAQUES: Oh, his advice. Well, it was advice which unfortunately was not taken. Had it been taken it would have been cheap at any price.

Mr. GOLDING: Read the evidence.

Mr. JAQUES: I have read that evidence many times, and it only confirms what I have since learned as a member of that committee. It seems to be the main concern of the committee to defend the banks and the financial institutions of the country. It is not mine; I was not sent here to do that.

My objection to this budget is, as I said at the beginning of my remarks, that it is debt creating and deflationary, and for that reason I seconded the amendment which was proposed by my friend the hon. member for Acadia. For these reasons I must oppose the budget unless that amendment is adopted.

Mr. A. R. ADAMSON (York West): Mr. Speaker, in rising to discuss the subject of mining taxation, let me say that I am not opposing fair taxation on operations which are in many instances carried out with great profit to those concerned; I speak not against the tax, but against the method of its application. I should like to commend the Minister of Finance (Mr. Ralston) for his realization of this point, particularly with regard to his understanding of the hazardous nature of mining, more especially in connection with the discovery of new mining properties. I should also like to congratulate him upon his realization of the importance of gold as a means of obtaining foreign exchange. He called it hard money. During wars, or other periods of grave unrest, primitive people such as the Turks, the Arabs, and even the Americans, are inclined to look with grave suspicion on extended international paper credits. Gold to-day is the only universally accepted currency; it is the only truly international money. The drastic measures which the government have had to take to restrict the importation of non-essential United States goods, in order to preserve our exchange is a true indication of our dependence on gold. At this time in our history, nothing could do Canada more harm than any tax which would curtail the production of metals and more particularly gold. This is of such vital importance that it cannot bear repetition too often.

The operation of a mine falls into roughly two categories—the physical or actual processing of the ore, and its sale. A ton of ore is of no value to the country until it is drilled, blasted, mucked into cars, hoisted, crushed, milled, filtered, and finally refined. The metallic content then obtained is sold and a profit results. In the case of gold, there is only one purchaser, namely, the government; in the case of base metals, the purchasers are also very much restricted, and are also chiefly governments. Mining differs in this essential point from manufacture, and it is my contention that a system of taxation which is suitable for industry generally must be considerably modified to make it adaptable to mining operations.

In mining, what is known as the winning of the ore is purely an engineering operation, and as I shall show later, the more efficient that operation can become, the greater the volume of metal produced. These essential operations of mining are in no way profit making operations. The only profit which accrues to the mine is after the metal has been sold and the costs of its extraction have been deducted. It is my contention that it is at this point that taxation should be imposed, and such taxation as the mines profits tax, the corporation tax, the dominion income tax, the municipal taxes, as well as certain sales taxes, do not truly fall under this category. They are to a large extent taxes levied on the actual production operations.

An example of this is the application of the sales tax to articles made in the mine shops to replace material worn out in the operation of the mine. I have here a list, and with the consent of the house I shall quote two examples. Twenty-four 5′ 6″ ore chute bars became worn out owing to the continual passage of rock over them. They had to be repaired, welded and replaced in the mine's own shops. The cost was $18 each, and there was imposed a tax of $30. These bars need constant renewal through wear and tear, just as drill steel needs to be constantly sharpened. Imposing a tax here is definitely an operation tax and raises the cost of extraction of the ore. Another example is seventy-five filter rods for the mill, these cost $18.75 each and were also made in the company's own shops, and on them a tax of $31.25 was levied. I should like to point out also that the major producing mines

nave estimated that it actually costs the government more to inspect these shops and obtain this revenue than the net proceeds from these taxes.

In order to simplify my argument I shall consider the gold mines in northern Ontario and Quebec. While I have some knowledge of British Columbia, more particularly the high grade mines in the Zeballos district of Vancouver island, I am not familiar enough with them to discuss them in detail. What I have to say now concerns Manitoba, Ontario and Quebec.

It has been found that the value of ore in place tends to vary with reasonably well defined uniformity. It has been worked out with some degree of accuracy that in the Porcupine camp the volume of ore will increase at twice the rate of its diminution in value. In other words, if you have one ton of $12 ore you will have two tons of $11 ore, four tons of $10 ore, and so on. With the consent of the house I should like to put this table on *Hansard* because it will show this condition somewhat more clearly than I can express it.

Porcupine, Northern Ontario and Quebec
Precambrian Shield
Not B.C.

Tons	Ore value per ton		Dollar total
1	$12	=	$ 12
2	11	=	22
4	10	=	40
8	9	=	72
16	8	=	128
32	7	=	224
64	6	=	384
128	5	=	640
256	4	=	1,024
511			$2,546

Average of whole stope, $5.02.

Tons
384 = 77% of $5 Grade or lower, volume.

Dollars
$1,664 = 65% of $5 Grade or lower, value.

In this stope the value runs from $12 to $4. With one ton of $12 ore there will be 128 tons of $5 ore and 256 tons of $4 ore. The average value of the ore in this stope is $5.02 a ton. The total tonnage will be 511 and the total dollar value $2,546. Thus it will be seen that 77 per cent of the volume of this stope will have a value of less than $5, and that 65 per cent of the dollar value will be won from ore having a value of $5 or lower. This situation can also be expressed logarithmically; as known to mathematicians, it is a function of little "e", and also as a simple integral. I mention these alternative solutions merely to show the general trend of the function and to show how closely the mathematical equation follows the physical conditions of the ore in place. This is particularly true of any dilution of what might be called a pregnant solution into a barren one of greatly varying density. I am not going to weary the house further in this matter except to say that when the ore-bearing solutions were forced up into the base or country rock, they were in a molten or even a gaseous state, and therefore were of greatly different density from that of the rock through which they were forced.

I have taken the time of the house to put this rather technical information on the record in order to show that low grade ore, having a value of $3 to $7, is responsible for the great volume of rock which is developed and for the great majority of the dollars produced. Taxation on the operation which tends to increase the over-all cost of production even by a few cents, kills more ore and destroys more dollars than is generally understood.

Canadian mine financing, despite the many criticisms leveled at it, has one strong point in its favour, namely, its simplicity. In the huge majority of cases there is but one method of financing, namely, by no personal liability common stock which is sold directly or indirectly to the public at varying prices, depending upon the outlook for the mine at the time, as well as on other general conditions. In the great majority of cases there is no profit until a dividend is declared and paid on that stock. It is my contention that this is the proper time and place to apply taxation. Many mines in Canada have been in production for years but have as yet been unable to declare a dividend, although they have been considerable contributors to the treasury.

There is one other unfair and inequitable condition of the excess profits tax, namely its application to mines of extremely low grade ore or where the net profit per ton is meagre. I mention in this connection the Omega mine. The profit at that property is to-day 31 cents a ton. The new taxation is $1.23 per ounce of gold. The average grade is under $7 a ton, it takes five tons of ore to yield one ounce of gold. This means that the over-all cost of operations will be increased by 24 cents a ton, leaving the mine a profit of but 7 cents a ton. As this operation is in debt to the extent of some $400,000, it will readily be seen that it will be unable to continue to pay its way, and will be forced to close. Thus a supply of gold will be lost to Canada in this hour of need. My suggestion to overcome this condition is to exempt from the excess profits tax mines whose profit per ton is 50 cents or less.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. ADAMSON: Mr. Speaker, continuing from where I left off, I realize, of course, that under section 89 of the Income War Tax Act as amended in 1939 new mines are exempted for a period of three years from the time they go into production. While this is a satisfactory method, it is not in my opinion flexible enough. Under this regulation extremely profitable operations such as East Malartic are exempted, while struggling properties such as Naybob and Bankfield are imposed upon. I feel that exemption should be granted not for a period of time but until a profit or a surplus of a definite percentage of the capital outlay has been built up.

Some mines develop extremely rapidly while others, alas, take many, many years. It is my contention that taxes on the operations I have mentioned should be done away with, and that instead a direct dividend tax should be levied. This would have two great advantages. First, it would be extremely simple and cheap to collect, and second, it would show directly to every taxpayer the amount he was paying in taxes.

I have taken as an example a dividend tax of 20 per cent and have compared the revenue which would be produced by this impost with the revenue produced by the present system of taxation. I am fully aware, Mr. Speaker, that by treaty with the United States of America we have agreed with them not to tax dividends at a rate greater than 5 per cent. This, however, is more of an exchange regulation. No one in the house would, I believe, contend that we did not have the right to tax Canadian corporations as we saw fit, nor would we have anything to say as to how people of the United States taxed their companies. In the case I am proposing the dividend tax would be in lieu of income, corporation and excess profits taxes, and would be applied identically to both foreign and Canadian shareholders. The exchange tax is applied only to foreign-owned securities.

In 1939 the producing mines of northern Ontario paid $15,000,000 in dominion income tax, provincial mines profits tax and corporation tax. During the same period they paid $66,000,000 in dividends. On last year's basis, if there had been a 20 per cent dividend tax on mining operations they would have paid $13,200,000. Had the $15,000,000 acquired by taxation been added to the dividends, they would have amounted to $82,000,000. Then, 20 per cent of this would have been $16,400,000, or approximately the same as was raised by the indirect method of taxation on the operation itself.

A further advantage of such a tax on dividends would be to encourage the management of every mine to bring about that ideal in business, namely, the greater the production the greater the profit. The total dividends paid by mining operations in 1939 amounted to slightly over $100,000,000.

It is predicted that the production of gold will rise from $184,000,000 to $250,000,000 this year, or an increase of approximately 46 per cent. The corporation tax under the present taxation system remains at 18 per cent, and the excess profits tax is at the minimum rate of 12 per cent, or a direct taxation on the operation, whether or not excess profits are made, of 30 per cent. I am not sure what the minister expects to raise out of this taxation, but let us for the moment assume that owing to the increased price of gold, and owing to the increased production, the dollar value of the gold production will be up 35 per cent. Assuming, therefore, that excess profits and income taxes were removed, and the increased dollar value of the mine had been stepped up 35 per cent, and that these had been added to the dividends, the dividend expectancy, despite the probable over-all increased cost of mining, would be about $140,000,000. A direct 20 per cent tax on these dividends would amount to $28,000,000, or approximately one-half of what the minister expects to raise from the personal income tax, or approximately one-quarter of the total Canadian excess profits tax. Steps would have to be taken to see to it that companies would not build up huge surpluses and not pay them out in dividends; and some regulation would have to be made limiting the size of the surplus to some fraction of the capital expenditure made by the company. If a tax of 30 per cent were imposed, the return would be about $42,000,000, or 75 per cent of the total estimated to be raised on the personal income tax, or 42 per cent of the total estimated by the minister to be raised on the excess profits tax. This 30 per cent is the same rate as he intends to impose at this time. I point this out merely to show that great sums can be raised out of mining, but it has to be done scientifically, and without doing damage to the country or the industry itself.

One other suggestion I have to make to the minister is with regard to prospecting or finding new mines. As he has so well stated, mining requires the risking and often the losing of large sums of money in exploratory and development work, before production commences. In view of the present upset state

of the financial market it is almost impossible to get private capital interested in the development of new mines. For years the mining industry has been extremely worried over the lack of new properties being prospected and brought into development. The hazardous nature of prospecting will be better realized when it is estimated that only one out of every six hundred prospects ever develops into a producing mine.

To-day the only people in Canada with the money and knowledge of mine making are those in charge of producing mines. While these mines belong to the people who find and develop them, my contention is that it is their duty to help to develop the other mineral resources of the country. I would suggest, therefore, that a further tax, known as a development tax, be imposed, either to be paid to the government or to be used by the mines in prospecting for and developing of other properties. Mine making is no longer a job for the small prospector or syndicate. It requires immense sums of money and considerable experience and equipment. The only people in this business to-day are those in charge of the major producing mines, and I believe it is their duty to develop the country which gave them their all. These suggestions are made with some knowledge of the hazards of the mining industry, from both the producing and taxing points of view. The ideal would be to raise the greatest sum and do the least harm to the industry. It is the industry and the north country, not the individual, that counts.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, I rise to discuss one or two matters which have arisen in the debate and also to support the subamendment which amends the amendment already moved. These taken together now read:

> This house regrets the failure of the government to impose a one hundred per cent tax on all profits in excess of a fixed return on capital invested.
>
> Furthermore this house is of the opinion that there should have been no increased tax burden placed upon the consumer until Canada attain maximum production of desired commodities or full employment by issuing through the Bank of Canada, currency and credit in terms of actual public need.

I am of the opinion that the subamendment places before the house a clear and additional reason why the government should have explored the fields outlined therein. I have in mind the fact that at the close of the general election of 1935 the Prime Minister (Mr. Mackenzie King) stated that he would issue and use currency and credit in terms of the public need.

[Mr. Adamson.]

I want to deal with one or two matters which were raised by the hon. member for St. Antoine-Westmount (Mr. Abbott), who spent most of his time the other day in criticizing what I had said in connection with the excess profits tax. I could not be present at that time because I was otherwise engaged in the committee inquiring into the defence of Canada regulations. As I gathered from reading *Hansard,* his main criticism was directed against the figures which I had presented in support of the case I was endeavouring to make. I wish to return to that in a few moments. First, however, there are one or two less important criticisms to which I would refer immediately.

The hon. member said that I alleged that some industries would pay no excess profits tax. It must have been obvious from the context of my remarks that I was referring to the excess profits tax as it would be computed under the act of September of last year. Under the present tax, industry will pay a minimum of 12 per cent. Then it was stated by the hon. member that the excess profits tax plus the corporation tax would inflict a heavier tax in Canada than is imposed in Great Britain. In proof of that statement it was said that in Great Britain there is no corporation tax as such. It is not possible for me to compute the taxes paid in Great Britain, nor do I think it is possible for any other hon. member to do so.

Mr. HANSON (York-Sunbury): Why not?

Mr. COLDWELL: In Great Britain businesses and corporations are taxed under schedule "D" of the income tax act, and there are four other schedules. I wish to deal more particularly with the criticism of the figures I presented. I did not intend to mislead the house in any way, nor do I think my hon. friend intended to do that. I think in the interests of understanding it would be well if the analysis were carried one step further. It was said that I had computed the excess profits tax on a 10 per cent basis—that is true—when the tax is really 12 per cent—that is true. However, it will be noticed that I computed the corporation income tax at 20 per cent, when it is 18 per cent. In other words, for ease in figuring I computed the tax at 30 per cent—10 and 20 per cent—instead of 18 and 12 per cent.

Mr. ABBOTT: Is it not true that in five cases the hon. member computed the tax at 18 and 12 per cent?

Mr. COLDWELL: That is quite true. I used the two methods of computation because of the difficulty of breaking down the figures given in the *Financial Post* survey. I shall

deal with them in a moment if I may. As I say, for arithmetical convenience, if I may put it in that way, I used the one basis principally, when perhaps I should have used the two methods as such. However, the collections would be the same: 18 and 12, 30; 20 and 10, 30.

Mr. ABBOTT: Why did the hon. member compute the tax in five cases as 18 and 12 per cent, and in the other twenty-eight cases as 20 and 10 per cent?

Mr. COLDWELL: In those cases where the computation was obvious from the reports presented I used the 30 per cent—12 and 18 per cent.

I come now to the major criticism made by the hon. gentleman, that I computed the taxes on the basis of the net earnings available for dividends, which meant the amount left after provision had been made for payment of taxes. That is quite true. This was done for two reasons, which I shall give in just a moment. May I say that the basis I used actually weakened my case rather than strengthened it. As I mentioned a moment ago, the figures were taken from the *Financial Post* survey of corporate securities for 1940 and covered earnings for 1939. As I indicated, the returns published in the survey were not made on the same basis by all the companies concerned. Some did not show any allowance for taxes, while others showed an allowance for income tax and others showed a reserve for all taxes generally. It was therefore thought that it was safer, although perhaps not as correct, to use the net profits available for dividends rather than a different figure which would necessarily comprise different elements for different companies.

The hon. member was quite correct in stating that this meant an underestimate of the amount of the taxes to be paid by the corporations, but it is equally true that it meant also an underestimate of the amount made by the corporations and of the amount payable in dividends and of the amount of profit made, expressed in percentages. I am very glad to take the figures suggested by my hon. friend and to analyse the situation from that point of view. I shall place on *Hansard* both the profits and the taxes on the basis of the profits made by the corporations in question, inclusive of any reserve for taxes shown by them in the returns in the *Financial Post* survey. The corporation income tax is in every case 18 per cent of this profit and the excess profits tax is 12 per cent, with the exception of Aluminium Limited which, according to its 1939 earnings, as I indicated previously, would pay excess profits tax in accordance with the 75 per cent provision.

What do these revised figures show? They show that the 33 companies to which I referred last Friday had in 1939 total earnings, on the basis suggested by my hon. friend, of $180,530,298, instead of $146,191,262, as I stated on Friday last. That is to say, they had a return on their capital of close to 21 per cent, instead of the 17 per cent which was the result of the figures I used last Friday.

Similarly, the total taxes, both corporation income and excess profits, which will be paid by these 33 companies on the basis of the 1939 earnings would be, roughly, about $10,000,000 more than the amount which I previously gave. However, the result would still be that the corporations would have between them about two-thirds of their profits left, which would represent about a 14 per cent return on their capital, instead of the 11 per cent which resulted from my figures of last Friday.

Thus I think it is clear that the case which I tried to make last Friday is strengthened, and not weakened, by the adjustments which my hon. friend suggested to me. If I may emphasize it, the adjusted figures show that the 33 companies had a profit representing a return of 21 per cent on their combined capital and that after paying the corporation income tax and the new excess profits tax they would still have left profits amounting to a return of 14 per cent on their capital, or respectively 4 and 3 per cent higher than on the figures which I myself gave a week ago.

The same result emerges in the case of the 5 corporations which I gave as illustrations last Friday. The profits of Consolidated Mining and Smelting Company, according to the revised figure, would be $11,619,586; the corporation income tax on this figure at 18 per cent would be $2,091,525, and the excess profits tax at 12 per cent would be $1,394,350, making a total, for the two taxes, of $3,485,875. This would still leave the corporation with a profit balance of $8,133,711. This amounts to a return on their capital of 41·8 per cent, instead of the 33·6 per cent which I mentioned last Friday.

Now I come to Canadian Industries Limited. The revised profits would be $7,653,443; corporation income tax, $1,377,620; excess profits tax, $918,413, making a total of taxes amounting to $2,296,033. This would leave the corporation a balance of profit of $5,357,410, or a return on capital of 30·7 per cent, instead of the 25·2 per cent which I indicated a week ago.

Let me summarize the results of the other three companies, to put the matter on an exact basis with the figures which I gave a week ago. International Nickel on the same basis would have remaining a profit of 23·8

per cent on the basis of capital as defined in our act, instead of the 18·2 per cent given in my first speech. Aluminium Limited would have a balance of profit equal to 16·5 per cent of their capital, instead of 11·8 per cent; and Asbestos Corporation would, on the same basis, have remaining a profit of 20·4 per cent, instead of the 16 per cent which I gave on Friday.

The figures I used on Friday were intended as illustrations, as were those of the hon. member for St. Antoine-Westmount last Tuesday. After all, the important question is not the amount of taxes paid, but the amount and rate of profits left. That I tried to indicate very clearly at the time.

May I add that although the hon. member for St. Antoine-Westmount brought forward some criticisms apparently intended to destroy my case, I submit that in reality, rather than weakening it, he has given me an opportunity of strengthening it, and I want to express my appreciation of the opportunity of giving these revised figures to-night.

Another fact has come to my attention. In our sister dominion of New Zealand last week the Minister of Finance, the Hon. Walter Nash, said in his budget speech that later he would submit to parliament proposals empowering transfer to the state of the whole of any excess profit made during the war. In my opinion that is the correct attitude for this house to take.

In conclusion, I have just one more thing to say, and this falls into line with the subamendment rather than with the amendment. The hon. member for New Westminster (Mr. Reid) last week suggested that we issue loans at very low rates of interest. I agreed with that, and I suggested then that we might even go one step further and seek for the duration of the war, from those who have large accumulations of wealth, loans with no interest return whatsoever. The Hon. Walter Nash, in the same budget speech to which I have just referred, announced in the New Zealand house last week the introduction of a national savings scheme for the benefit of small investors and of three-year interest-free loans for larger investments. I would draw particular attention to this. The New Zealand government also proposed to empower itself to compel, if necessary, the wealthy to subscribe appropriate amounts of war loan. In other words, where there are large accumulations of wealth, the government of our sister dominion proposes that the government shall have power to compel, if necessary, the lending of a portion of that wealth without interest, for three years, the estimated duration of the war.

[Mr. Coldwell.]

It seems to me that, at a time when our people are being called upon to bear tremendous burdens, and our young men to make tremendous sacrifices, the vast accumulations of wealth which we find in the names of corporations and of individuals ought to be placed at the disposal of the state, either voluntarily or by compulsion, for the purpose of this war effort.

So, Mr. Speaker, we are hoping that the amendment and the subamendment will carry, and we intend to support the subamendment as well as the amendment.

Mr. C. E. JOHNSTON (Bow River): Mr. Speaker, I wish to say a few words on the amendment to the amendment. We are faced to-day with one of the most critical conditions of all times, and everything should be done that can possibly be done to further our war effort. We hear a great deal of talk, not only in this house but through the press, that this is the time to tighten our belts, and that everyone should economize to the utmost. It seems to me that if members of parliament are to go about the country making such statements, hon. members themselves and men in high authority in the dominion should be the very first to practise what they preach. I well recall that a few years ago the Prime Minister of the day, the Right Hon. R. B. Bennett, made use of this expression, "tightening our belts." Down through the years since then it has often been repeated, and the other day I noticed that the governor of the Bank of Canada, Mr. Graham Towers, also announced that this is the time when everybody should tighten their belts. Incidentally, Mr. Towers receives a salary of $30,000. And he talks about tightening his belt.

An hon. MEMBER: Some belt!

Mr. JOHNSTON (Bow River): Excuse me—tightening "our" belts, not "his" belt. Of course he got a reduction of salary from the previous year; it was cut down from $35,000 to $30,000; so he is going to have to economize a little; he will have to get along with a bare subsistence on $30,000. I noticed, however, in the paper which reported his advice to the people of Canada to tighten their belts, that he has spent $30,000 for a new house. Surely there are some limits to the gullibility of the Canadian people. As I said the other day in this house, one of the most desirable or rather essential things is that our people shall become united at this time. But it is hardly sensible to expect more cooperation from those who will suffer from increased taxation as a result of this budget, when they read that the governor of the Bank of Canada receives

$30,000 a year, that he expects them to tighten their belts, and that at the same time he is spending $30,000 for a new home.

I shall not criticize at length the increased taxation as it affects incomes in the higher brackets, but I wish to say something about its application to those receiving small incomes. We see that individuals whose income is as low as $600 a year are to pay increased taxes. That is an extremely small income to stand any further reduction. Nor can I imagine how a man with a family and a salary of only $1,200 can provide them with a home, fuel, clothing and all those articles whose prices will be increased, and contribute additional taxes as well.

Observing that this budget was brought down by a man who, if he is not to be called a financier, is well versed in finance and may be termed an expert, I could not help looking up a clipping which appeared in the Edmonton *Journal* on April 14, 1938, and in which it is stated that the government of the day had spent $1,123,967 on royal commissions. I shall not detain the house with any remarks on the extravagances of governments in the past; maybe we should not go back that far. But in this clipping there are two items which I wish to read to the house. The commission on the textile industry was headed by Mr. Justice Turgeon, who is a leading Canadian citizen and, I am sure, a very clever man; he must be, he is a judge.

An hon. MEMBER: Hear, hear.

Mr. JOHNSTON (Bow River): The commission on the textile industry which was headed by Mr. Justice Turgeon cost $173,231. J. C. McRuer, K.C., of Toronto, got $31,456, and Elie Beauregard, K.C.—"hear, hear" again, I suppose—got $37,142 as joint counsel. But this is the point I want you, Mr. Speaker, to notice particularly. Judge Turgeon was paid $14,256 in living expenses. So it cost the learned judge $14,256 for living expenses while he was commissioner.

Mr. MacNICOL: Is that for himself alone?

Mr. JOHNSTON (Bow River): I suppose so, because he had to economize. I do not know what it would have been if he had included an allowance for his family. I am sure he did not pad his allowance; one would not expect that from a judge. But compare that living allowance with the minimum of $600 for a single man and $1,200 for a married man under the taxation proposals of this budget. If that is considered a decent living allowance by the financial expert who drew up the budget, then it is an absolutely criminal offence to allow that judge to be given $14,256 for his living allowance. There is simply no common sense in it; there is no justice in it. Let me go further. May I say in passing that Judge Turgeon had $35 a day for living expenses. That was his living allowance compared with the single man's living allowance of $1.66; and one we shall tax while we have forgotten all about taxing the other.

The next one is the commission on wheat marketing, also headed by Judge Turgeon in the same period during which he conducted the other investigation. This inquiry cost $114,237. Colonel J. L. Ralston, Montreal—I believe it is the same financial expert who drew up the budget—received $200 a day and $20 a day living expenses. He must be good. Mr. Turgeon received $12,100 in living allowances, making a total of about $26,300 in living allowances for that period.

The point is that Colonel Ralston was allowed $20 a day living expenses and Judge Turgeon $35 a day, and I am sure that they were honest when they put in their living expense accounts. Well, if they were honest when they put in their living expense accounts and it cost the one $20 a day and the other $35 a day, then it is a great injustice to expect another of their fellow citizens to live on $1.60 or $2 as the case may be—and he has dependents. Then, to add insult on top of that, we are going to tax it out of him.

I ask you, Mr. Speaker, can you expect the people of Canada to be united when they see such things going on? It is a regular racket; it cannot be termed anything else in view of the evidence I have put before the house. I think that in all fairness to the country this budget should be changed in this one instance at least and that the exemption should be raised from $600 up to $1,000 for single men and proportionately higher for the married men.

If we were telling the people to tighten their belts because we were doing the same thing, the situation would be different. It would be different if we said to them: You must tighten your belts because we are short of supplies. There would be sense in that. There would be sense in saying to them: We must economize because we have not enough wheat to give you; we must economize because we have not enough meat to give you; we must economize because our farmers and other primary producers cannot possibly raise the stuff you require. But what utter nonsense it is to talk as we do with conditions as they are. Why, the Minister of Agriculture (Mr. Gardiner) himself, when speaking on the wheat

bill last year, advocated that the people reduce the wheat acreage and cut down the amount of production. Why? We are doing everything now to see to it that the primary producer shall cut down his production at the very time when we need greater production. On the contrary we should be assisting our primary producers. We should be giving them at least cost of production so that the people of Canada would not be required to lower their standard of living at this time. We should be putting forth every effort to produce as much as we can. Goodness knows we shall need it in the near future.

It is all very well to talk about increased taxation and tightening our belts if this is necessary. As the hon. member for Acadia (Mr. Quelch) said, if we are short of any goods in the country the proper thing to do is to ration them if we wish to save foreign exchange. But seeing that this government intends, according to the Minister of Finance, to finance this war exactly as the last war was financed, I was forced to look up some of the figures in connection with the last war, and I find, from a return tabled in the House of Commons a year ago, that before the war started in 1914—that is, according to the return giving the figures for the fiscal year 1913-14—we had a national debt of $335,996,850, or just about one-third of a billion dollars. I am speaking of the net national debt because I shall refer to it in the course of my speech, and for the sake of convenience I shall say roughly about one-third of a billion. In that year we paid $12,893,505 in interest. In other words, out of every $100 of taxes we paid $7.90 in interest on that debt. That is not a tremendous debt—about a third of a billion dollars.

But what happened after the war? In the fiscal year 1919-20 our debt had risen from about one-third of a billion dollars to $2,248,868,624, an increase of approximately two billion dollars; and in that year our interest had jumped from $12,000,000 in 1913-14 to $107,527,089—from $12,000,000 to $107,000,000 in interest alone. The amount of interest we paid in 1920 was almost equal to what our deficit will be this year; and in the same year we paid, out of every $100 of taxes, $30.80 in interest charges. That is a tremendous increase, from $7.90 to $30.80 interest for every $100 of taxes paid. Yet we are going to finance this war in exactly the same way. I have not much confidence in our ability to prepare effectively for war if we are to carry on under such a tremendous handicap.

Let us continue the analysis and find out what our debt is doing. In 1931 we had a net debt of $2,261,611,936, and there was an increase that year of $83,847,977. For the succeeding years the figures are as follows:

Year	Net debt	Increase
1932.....	$2,375,846,172	$114,234,235
1933.....	2,596,480,826	220,634,653
1934.....	2,729,978,140	133,497,314
1935.....	2,846,110,958	116,132,817
1936.....	3,006,100,517	159,989,558
1937.....	3,083,952,201	77,851,685
1938.....	3,101,667,570	17,715,368
1939.....	3,152,559,313	50,891,744

Every solitary year an increase of millions of dollars of debt, the total increase since 1931 being $974,795,355, or a yearly average increase of $108,310,595. And those were in a period of peace.

The debt charges alone for the fiscal year 1938-39 amounted to $113,147,062, or $309,992 a day. According to the statement of the Minister of Finance at page 1018 of *Hansard* we are going to have this year a deficit of $118,000,000, and the net debt as at March 31, 1940, was about $3,270,980,000. The gross liabilities at that date are estimated at $4,028,573,000.

How are we going to be able to carry on in this country in time of war and do our share of rearming and supplying the British empire with the commodities they require if we are going to keep on under a limited monetary system? It is safe to say that at the end of this war, if it lasts as long as the last war did, and our debt increase continues in proportion to the increase this year, our national debt will be over ten billion dollars, and the carrying charges alone will be half a million dollars a day. Is it any wonder that the people of Canada are asking, why have we not all our machine shops working? Why is it that we have thousands of men hanging round the country unemployed, anxious to work but unable to find any work to do? Even to-day the situation is exactly the same. In England even the women and children are at work, whereas here we have able-bodied men only too anxious to do their share for the empire but they are not permitted to do it because we have not the money. This lack of efficiency I fear is going to have disastrous results for Canada, unless we change our methods.

It seems, according to the Minister of Finance, that the only source of money is taxation or borrowing. To borrow is only a delayed form of taxation. There is a limit to the possibilities of taxation. As taxes increase, the standard of living of the people is continually lowered; the nation's preparedness for war is continually lowered, and you continually disunite the people of this country. The people of Canada should begin to look about them and see what happened in other

countries, and profit from that experience. We know what happened to Holland, to Belgium, to Norway; every one of those countries was defeated for just one reason—they were not prepared. What happened to France? That great power was smashed by the German machine because she was not prepared. At the beginning of this war we were told that France was ready, that Great Britain was ready, that Canada was ready. After the defeat of every one of those countries which I mentioned a moment ago, the excuse was made that they were not properly prepared. But are we prepared? Or are we heading for exactly the same thing?

Why did France not complete the Maginot line right round to the English channel? It was clearly explained in the press the other day that it was because the financial system broke down and she did not have the money. Why did she not have the money? Because the financiers would extract the very last drop of lifeblood from the people in order to get their pound of flesh. France had the material; she had the men to complete that line, but the financial interests sacrificed their country for their pound of flesh. We should begin to take stock of ourselves, and see if we are not in exactly the same position France was in. Surely there are other ways of getting money besides taxation and borrowing. I want to show hon. members, if I can, that some people in Canada are beginning to awaken. They are becoming alive to the issue that the state should create credit, so as more effectively to carry on our war effort.

I wish to read to the house a reprint from the Ottawa *Citizen* of June 26. This is reprinted from the *Western Producer,* a Saskatoon publication, and is entitled "Money's part in Defeat or Victory." It is as follows:

> Canada remains chained to comparative inaction, or certainly far behind the limits of her full capacity by the bogey of money and costs. There she will remain so long as she holds fast to the position which the government has taken that we must pay as we go, that our war effort must be strictly limited to the amount of taxes which can be collected, supplemented by restricted borrowing. These shackles that tie us down must be broken. The fact must be established that the only limit to our war effort is our resources and our manpower. The machinery of production must be freed from the blighting control of finance. The watchword must be full steam ahead in field, factory and workshop, with orders to the Department of Finance, in collaboration with the Bank of Canada, to supply all the money needed. Let there be no doubt about it, this must be done sooner or later, or Canada will be defeated and become a conquered country.

That was printed in a paper which has a wide circulation, and expresses the opinion of a great many people.

I shall read another extract which sets out the opinion of people from a country outside Canada. I refer to Dorothy Thompson's statement in the New York *Herald-Tribune* of June 24. This is the statement of a United States woman who visited Europe, and who has given her reasons why Germany has been so successful. She states:

> Hitler is winning the war because he has been fighting it with an industrial and engineering economy, while the democracies have been fighting it with a money, or financial economy, and fighting it stingily. We are now following Britain and France in our defence programme.
>
> The Germans did not vote themselves four billion money units for defence. They voted —had voted for them—thirty thousand airplanes, so and so many guns, so and so many thousand tons of reserves of oil and raw materials. The German economy is an economy of things and men; the allied economy is an economy of symbols: money. The German economy recognizes that all wealth is in goods, particularly in capital goods, and that these are not created by money, which is only a medium of exchange, but by the application of labour to materials.
>
> The allies had money, but failed to produce goods. The Germans had no money, but did produce them.

That is further evidence of what can be done if one has the will to do it, and the only limit to war preparedness is material and men. Surely in Canada we have an unlimited amount of these. But some of us will sit back complacently and say to ourselves, "Oh, we do not need to fear; we are three thousand miles away from Germany." But let me read a warning by Major-General L. R. LaFleche. This article, which is headed "LaFleche warns Canada to be Prepared", is as follows:

> Major-General L. R. LaFleche issued an earnest call to-day for the conversion of Canada into a strongly fortified bulwark against nazi domination of the world which he sees as one of Hitler's goals.
>
> Just back from France where he served as Canadian military attache and saw at first hand Germany's lightning subjugation of that country, he said in an interview with the Canadian Press that the dominion should look to her arms and the defence of her great coast-line without delay.
>
> "Inaction and indecision should not be tolerated," General LaFleche declared. "To-morrow may be too late."

Yes, Major-General LaFleche declared, "To-morrow may be too late." And so I say to you, Mr. Speaker, that we should become more alive to this fact, and that we can never do our maximum until we have the issuance of currency and credit in terms of public need. As was said in the English House of Commons by Mr. P. C. Loftus, a member of the Conservative party:

> If there has to be a certain expansion of credit money, created credit, I cannot see why the state itself should not create that credit free of interest.

That is what hon. members in this corner of the house have been advocating for the last five or six years, and I am pleased to say that our efforts are having some effect on some of the people. I well recall the excellent speech delivered the other day by the hon. member for New Westminster (Mr. Reid). That speech is to be found at page 1225 of *Hansard*. I shall not take time to read it, but in effect he said that the time had come when some of this nonsensical foolishness of hon. members on the government side of the house should change to a little seriousness and some deeper consideration, because the time was at hand when our monetary system should be changed.

I have before me a letter from another Liberal—and if hon. members wish, they may read his statement. I am sure no hon. member would contradict these gentlemen, because they are Liberals. The letter to which I refer is from Cecil R. Bull, M.L.A. for Okanagan in the legislature of British Columbia. May I say in passing that this gentleman is a Liberal, the other hon. member of whom I spoke a moment ago is a Liberal, and the member in the British House of Commons is a Conservative; so it would appear that truth is beginning to have its effect on Liberals and Conservatives. In view of the fact that the two Liberals I mentioned, namely, the hon. member for New Westminster and the member in the legislature of British Columbia, are from that province, it would seem that the only Liberals in Canada who are—should I say?—a little progressive and who seem to be a little more learned than the rest of them, seem to come from British Columbia. But of course they have obtained that feeling from the west.

Mr. MacINNIS: The Cooperative Commonwealth Federation is strong out there.

Mr. JOHNSTON (Bow River): Mr. Bull has this to say about finance:

> Orthodox financiers and economists will tell you that there is no solution, that there always were unemployed and there always will be, or words to that effect. In point of fact they admit they are licked.

And then later on:

> Before I outline the course that must be followed, I would like to cite some of the fallacies many people believe in:
>
> 1. There are people who believe the present economic state of affairs can continue. I say they are blind.
>
> 2. There are people who say if men look for work they can find it. I say this is not an answer and it is not true, and further it is a shallow, hypocritical remark.
>
> 3. There are people who say lots of men do not want to work. I say that is an equally cruel and trifling remark as the previous one.
>
> 4. There are people who do not know there is a problem; who live in a world apart ignoring this vital and tragic issue that will bring such a bitter reckoning to us and our children if it is not tackled.

And he has this to say about finance:

> The government must amend the Bank of Canada regulations to permit the bank to loan money on long-term contracts to the dominion, provincial and municipal government: These loans to be paid over a specified period without interest.
>
> As existing government bonds mature they must be paid off by the bank: That is to say, there must be no refunding with interest-bearing bonds. This does not mean that the people would be relieved of any further responsibility regarding our government debts, but rather that it would be converted from an interest to a non-interest-bearing obligation.

That shows progressiveness. It shows that there are at least two Liberals in this country —the only two I know of—who are keeping up with the times. Their minds are open enough to convince them of truth. That is what we in Alberta have been asking for. That is why the Alberta government have been appealing to this house for a provincially owned bank. They realize that the principle of public ownership must be carried into the control of our finance.

We should have public ownership and control over the issuance of debt-free and interest-free money, especially in a time of war when we so greatly need more money. We need more than we can ever hope to get from taxation, more than we can ever hope to get by borrowing, more than we can ever hope to get, no matter how deeply we grind down the poor people in order to get more taxes. We cannot get enough in that way and it unnecessarily destroys the morale of the people.

I should like to refer to the proceedings of the banking and commerce committee of May 16, 1939. At that time the hon. member for Vancouver-Burrard (Mr. McGeer) was addressing the committee, and he made reference to a statement which had been made by the Minister of Justice (Mr. Lapointe). I quote from page 625 of the proceedings as follows:

> The Minister of Justice further stated at page 4155 as follows:
>
> I am free to admit that I would rather have held the opinion that this should be a privately-owned institution publicly controlled, before I read the bill as it is and heard the discussion and knew all the functions that are going to be those of this public institution. Under the circumstances, the central bank being what it is going to be, I think I should be derelict in my duty if I did not support the principle of public ownership.

There is a statement by the Minister of Justice showing that he is absolutely in favour of the principle of public ownership and the issuance of currency and credit in terms of

public need. We certainly have a great public need to-day. Reference is made on page 626 of the same proceedings to a statement which had been made by the present Minister of Finance (Mr. Ralston). I quote:

Dealing with those functions, Mr. Ralston said: I submit, Mr. Chairman, that the Prime Minister and whoever drafted this legislation, and, with all due deference, some of the commissioners who made the suggestions which appear as a schedule, have for a moment forgotten that after all this is a state function, that the control of credit and currency is the biggest and most important public utility in the economic activities of the Dominion of Canada. I am not one who necessarily champions public ownership at all times and in all places, but I say there are certain things which should be under public ownership, or public control and certainly the very first and most important of those is the institution which controls, which guides and which directs the whole economic life of the dominion.

Those are brave words, but it may take a great deal of courage to put them into action. We have a so-called publicly owned bank and we have as Minister of Finance the hon. gentleman who made that statement.

Mr. SPEAKER: I must inform the hon. gentleman that his time has expired.

Mr. JOHNSTON (Bow River): I shall have finished in just a moment. We have a minister in charge—

Some hon. MEMBERS: Order.

Mr. SPEAKER: I shall permit the hon. gentleman to complete his sentence.

Mr. JOHNSTON (Bow River): We have now sitting on the treasury benches as Minister of Finance the hon. gentleman who uttered those words which I have just quoted from the proceedings of the banking and commerce committee. I hope he will give consideration to the statement he made as reported in those proceedings. I hope he will take into consideration the tremendous peril this country is in and see that every effort is put forward. If money is needed, he should see that it is issued by the Bank of Canada as interest-free money. We shall then not have piling up on our shoulders a debt which our children will have to bear after us. Every effort should be made to see that a maximum war effort be put forth. I hope and trust that he will see fit to raise the exemption from $600 to $1,000, with a corresponding increase for married men. Now is the time to act; let us not wait until to-morrow when it may be too late.

Hon. C. D. HOWE (Minister of Transport): Mr. Speaker, I rise to take part in this debate very briefly in order to discuss the Montreal terminal situation which was referred to by the hon. leader of the opposition (Mr. Hanson). His statement was, I think, that the government had stopped work on the supreme court building, on the Toronto postal building and on the postal building at Quebec, and therefore it was a disgraceful state of affairs that they should continue with the Montreal terminal project.

Mr. HANSON (York-Sunbury): "Shocking" is the word I used.

Mr. HOWE: I do not want to misquote the hon. gentleman—shocking situation. It seems to me that that remark shows a complete lack of conception of what is involved in the Montreal terminal problem. This is not a project to replace an existing building with a new and better building; far from it. To understand the problem I would recall that when the Canadian National was organized in 1919 it took over five existing railways. Those railways were separately operated enterprises, and the process of consolidating them into one coordinated system has been proceeding ever since. I am happy to say that to-day we have a well coordinated railway except on the island of Montreal.

In 1919 the island of Montreal was served by two railways which are now components of the Canadian National Railways: one, the Grand Trunk and the other, the Canadian Northern. Each of those railways had a main terminal in the city of Montreal, and each had a secondary terminal which was operated separately from the main terminal. No change has occurred in that situation from that date to this, although a start was made on correcting the situation in the years from 1927 to 1931. There are in Montreal four separate railway terminals operated by the Canadian National Railways. First, there is the Bonaventure terminal serving the lines coming into Montreal from the east and the main line to the west. Second, there is the Moreau street terminal which serves the lines to Quebec and the north shore of the lower St. Lawrence. Third, there is the tunnel terminal on Lagauchetière street serving the Laurentian district and the district north of Montreal. Then there is the McGill street terminal which serves the territory from Montreal to Granby; the railway formerly using this terminal was known as the Montreal and Southern Counties railway. There is no connection whatever among these four terminals. Each terminal must have its own coach yard because it is impossible to operate

a passenger terminal without one. Each terminal must have a freight yard. These freight yards have become tremendously congested under present day conditions and are quite inadequate to handle efficiently the volume of traffic being passed through them.

With the increased business which came in 1925, 1926, 1927 and 1928, culminating in the highest traffic year of 1929, the need of improved terminal facilities in Montreal became so great that the railway undertook a tremendous project to solve this problem. It undertook to unify the four separate railways serving the island of Montreal into one terminal and to provide proper passenger accommodation. At that time the project was a $53,000,000 one. However, it was necessary to stop work because of a falling off in traffic and the difficult monetary situation which existed in 1931, at which time some $16,800,000 had been spent on the project.

The following years were low traffic years, but within the last eighteen months there have been definite indications of an increasing rise in traffic and growing indications that the terminal situation in Montreal must again be reviewed. The consequence was that in planning the budget for the year 1939, after a thorough reconsideration of the whole terminal project by the board of directors of the Canadian National Railways, it was decided to carry on the terminal project in a decidedly modified form. Accordingly a project was worked out which would involve a further expenditure of some $12,500,000, and the board decided, and the government concurred, that an investment of that type would be money well spent and would provide an adequate return in improved operating facilities.

The work of completing the Montreal terminal project was undertaken in that year. There was considerable unemployment at the time and the government was making provision for projects to relieve unemployment. In 1939 the government joined with the directors of the railway in providing the cost of direct labour used on the project, and as between the railway appropriation and the government labour contribution some $4,500,000 was expended on the project in that year. Commitments, in addition to the amount I have mentioned, were made which carried over into this year; for a project of that kind is a continuing thing and commitments have to be made considerably in advance of the year in which the expenditures will take place.

At the outbreak of the war the situation was seriously reviewed. First, a study was made to see by how much the $12,500,000 contemplated expenditure, on top of the $16,800,000 expenditure which had been made in earlier years, could be reduced and still bring about the desired result. I am not going to give the exact figures of that reduction because I have not reviewed the situation lately, but my recollection is that the figure was reduced by about $2,000,000, which it was felt could be cut out and still preserve the essential features of the terminal project. The matter was seriously considered by the directors of the railway. It was made known to them that the government would not be in a position to make further grants towards labour costs on account of unemployment, because unemployment was not expected to be a factor throughout the year 1940 and in subsequent war years. The directors reviewed again the economics of the problem and the increasing difficulty of railway operation in that area owing to the lack of adequate terminal facilities, and their decision as indicated to the government was that they had no doubt whatever that the terminal project should be carried out.

Mr. HANSON (York-Sunbury): When was that?

Mr. HOWE: When was the position reviewed? Last October or November, and provision was made for the project in the budget for 1940-41, which was submitted to the government in January of this year.

Suppose we had followed the judgment of the hon. leader of the opposition and had suspended work on the terminal. The position would then have been that to an inoperative and unproductive investment of $16,800,000 would have been added another $4,500,000 of money actually expended, plus possibly $1,500,000 to $2,000,000 of commitments which would have had to be liquidated. We would have had invested some $22,000,000 or $23,000,000 in a project estimated to cost in toto some $27,000,000, and yet for the lack of the last $4,000,000 we would have had no terminal facilities on the island of Montreal. I think that will hardly commend itself to hon. members as a wise decision to be made offhand, without a careful study of what is involved in this project and of the results of discontinuing the project at the stage it is in to-day.

It is the intention of the government to complete the project in accordance with the latest plans which have been projected by the railway directors, which call for a minimum of expenditure to achieve the operating results. It is expected that the trackage features of the development will be placed in operation in the spring of next year and all the work contemplated in the plan is expected to be completed by autumn of next year.

Traffic is growing by leaps and bounds. To-day gross earnings, which is a reasonable

measure of traffic, exceed those of a year ago by some 35 per cent, representing a tremendous increase in traffic. The railway to date has handled the increased traffic without any congestion whatever. I think that few of us realize how fortunate the country is that throughout the depression years all the railways of Canada were able to maintain their property in efficient operating condition so that they were prepared to handle the situation as we find it to-day and as we foresee it in the days to come as long as the war lasts. It has not been handled without testing the railways very considerably.

The line between Moncton and Truro was the bottle-neck of the Canadian National Railways in the last war. At that time some 400 cars a day were moved over that length of line. During last winter we maintained an average of over 700 cars a day moving over that line, and we expect during the coming winter to increase that movement considerably. We have accomplished that by enlarging sidings, and by improved operation due to heavier locomotives and better rolling stock. We do fear a serious bottle-neck in the island of Montreal, and every effort is being made to complete the terminal developments so that a bottle-neck on the island will not occur before the new improvements can be placed in operation.

It is true that, so far as passenger facilities are concerned, we shall have a new passenger station instead of the old Bonaventure station. It is essential that the old Bonaventure station and the area serving it be used for freight facilities. That is one of the objectives of the entire terminal plan. The new terminal will be a simple building, as simple as can be built without requiring to be rebuilt as future requirements are placed upon it. It will be an adequate station to serve the passenger business of Montreal, and it will be built in a vastly superior passenger location compared with the present terminal.

I have said this simply because in the newspapers and in this house there has seemed to be a complete misconception of why the Montreal terminal is being built. It is not on a par with the supreme court building. We have a supreme court building; it has been functioning for many years, and we are merely building a better one. It is not the same as a post office. A post office is a place for the handling of mail. If a new post office cannot be built, additional facilities can be rented and the service continued. But when we have a railway terminal situation such as we have on the island of Montreal, we must either correct the situation or allow ourselves to be bottle-necked if the freight traffic increases beyond a point that those facilities can meet. That is the situation.

Mr. HOMUTH: Has the minister anything to say about our war effort?

Mr. HOWE: Not a thing at this time.

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, the Minister of Finance (Mr. Ralston) began his budget speech with the statement that the budget this year was being delivered at the most critical hour in history. He said:

> For the first time in a thousand years the world has been made to realize that a new "Dark Ages" may not be the figment of a wild imagination. . . . All the things we hold dear —the democratic way of life, the Christian ideal, these age-old tenets of human relationships, fair dealing, justice and brotherhood— are threatened with destruction by those who would shut the gates of mercy on mankind.

These are stirring words and fine sentiments, but I think they should be examined carefully as to what exactly they mean when applied to the social relationships prevailing in this country to-day. I do not want to minimize the critical nature of the situation or the ruthlessness of the gangsters who rule Germany and Italy to-day. I have tried more than once in this house in days gone by to draw attention to the danger of "building up" those gangsters. I did not have much success.

An hon. MEMBER: What about Stalin?

Mr. MacINNIS: Well, we shall deal with Stalin at the proper time. Even to suggest that the system under which we in Canada live has much of those fine attributes referred to by the Minister of Finance is, in my opinion, sheer poppycock.

The hon. member for Mackenzie (Mr. Nicholson), when speaking yesterday, referred to the number of fine residences in that part of Montreal represented by the hon. member for St. Antoine-Westmount (Mr. Abbott). I was looking towards my hon. friend from that riding while the hon. member for Mackenzie was speaking, and when he mentioned the affluence of St. Antoine-Westmount the hon. member for that constituency seemed pleased. But, as the hon. member for Mackenzie pointed out, there is another side to the picture. All the Montreal constituencies do not contain such fine houses. Montreal has its wealth and splendour; it has also its poverty and squalor; and, strange as it may seem, I have always observed, and I think anyone else who attentively observes will find, that in any city the greater the wealth, the greater the poverty. I ask you, Mr. Speaker, and all hon. members, how do those

fine attributes to which the minister referred—fair dealing, justice, brotherhood and the Christian ideal—apply in the relationships which exist and which under the circumstances must exist between those who live on the slopes of Mount Royal and those who live in the hovels of the mean and narrow streets of other districts in Montreal? The contrast between the two conditions of life demonstrates quite definitely that there is very little fair dealing, very little justice, and no brotherhood whatever, but a great deal of injustice and class dominance. It is time that people in high places should stop associating the present social order with the Christian ideal which, if the term means anything, refers to the doctrines and teachings of Christ, the founder of Christianity. He did not stand for the conditions which we find to-day.

Mr. Vernon Bartlett, a member of the British parliament and a commentator of note on foreign affairs, in a recent article which appeared in the London *News Chronicle* and which was reproduced in some Canadian papers, said that the sudden collapse of the war in France could be accounted for by the fact that the older generals and politicians in that country are less afraid of Hitler than they are of social change. I believe there is plenty of evidence to prove that the same is true of some so-called statesmen and politicians closer to us than France. This budget in fact indicates that this government is very much afraid of social change and that it is totally oblivious to what is taking place to-day—not only changes of the borders and governments of countries, but alterations of the whole world order. One would hardly think that those who drafted the present budget understood what is happening in the world to-day and what must be done if we are not only to defeat Hitler but to prevent totalitarianism in this country after we have defeated Hitler.

Perhaps it is impossible to carry on, without borrowing, production on the scale which is necessary to meet the requirements of this war, but certainly it is not necessary to borrow on the scale indicated in this budget.

There are two matters in particular to which I wish to refer, although briefly: first, the excess profits tax; second, the national defence tax.

It is not necessary for me to say very much about the excess profits tax. The hon. member for Rosetown-Biggar (Mr. Coldwell) has adequately dealt with that subject, and nothing that I could say could add very much to what has already been said in that regard. But I fear that hon. members do not quite realize even the psychological implications of leaving this tax at anything less than 100 per cent. The tax is now 75 per cent on excess profits in the taxable year over those of the four-year pre-war base period. This means that corporations will be allowed to keep 25 per cent of the profits made in excess of profits made in the peace-time period of the last four years. This is indeed a strange procedure at a time when the government insists that every one must make sacrifices. But no sacrifice is made by one who is allowed to keep any amount of excess profits that accrue from war conditions. All profits in excess of normal can be said to be made because of war conditions. It is indeed the very reverse of sacrifice; it is making profits out of the sacrifice of others. The least therefore that this government can do, even if only for psychological reasons, or political reasons if you like, is to take 100 per cent of the profits made in excess of those made in the four-year period mentioned in the budget. No one should be allowed to make profits out of the blood and tears of the Canadian people. In any event, this group repudiates the doctrine, both in war and in peace times, that any individual or group of individuals has the right to exploit the natural resources of the country and the people of the country for private gain. We are therefore, as a matter of principle, opposed to the exemption of excess profits, to any extent, and we are opposed to any exemptions particularly in this time of national distress.

I come now to the national defence tax, the tax on low incomes. It is not only a most obnoxious tax but it is also an uneconomical tax. Single persons earning $600 a year and married persons earning $1,200 a year do not live; they merely exist. Any deductions from their incomes will simply mean that some government authority will have to assume larger burdens in social services. In a recent interview or address, I am not quite sure which, reported in the press, the Hon. George M. Weir, provincial secretary and minister of education of British Columbia—I believe he is also minister of health—said that 50 per cent of the population of that province were unable to pay for essential medical services. In other words, to the extent that they received medical attention, they received it from the state. What is true in this regard in British Columbia is true, I am sure, in every part of Canada. These are the people who will be hardest hit by this tax, and it is not justice, it is not fair dealing to ask them to make further sacrifices. They have never done anything but sacrifice—sacrifice in order that a few might live in wealth and luxury.

The national defence tax should certainly not apply to single persons with incomes of less than $750 a year and married persons with incomes of less than $1,500 a year. Let us break up this $600 and see what it means. Six hundred dollars a year amounts to $11.50 a week, or about $46 a month. I insist—I was going to say suggest, but I insist—that this is a measly income when compared with $20 and $35 a day living allowances paid certain people or salaries of $30,000 a year paid certain others. It cannot be repeated too often that the sacrifice one makes cannot be computed in the amount one gives but must be computed in what one has left to live on after the tax has been paid.

In considering this budget and particularly because it is a war-time budget, I think it would be instructive if members would read the speech made by the Minister of National Revenue (Mr. Ilsley) when presenting the budget at the special war session last September. I am going to quote briefly from that speech to show that, despite the warnings of the minister, despite what he said on that occasion, we are adopting precisely the same policy followed by the government in the last war—that is, the policy of enriching the few at the expense of the many and making future generations pay for the war. What happened in the last war? This is how the Minister of National Revenue put it; I am quoting from *Hansard* at page 139 of September 12, 1939:

> Prior to 1914 the dominion government had relied for its revenues almost exclusively on customs duties and a few excise duties. It had no system of general taxation or established machinery for directly taxing the net incomes, profits and wealth of individuals. The sudden introduction of such taxation measures on the scale required would have been too drastic to be either economically or politically practicable. Her own financial programme and perhaps more importantly the influence on world prices of the inflationary financing of many other countries resulted in a drastic expansion of bank credit, a rapid rise in prices and a redistribution of the national income. Prices and the cost of living rose more rapidly than wages and interest on old debts. Industrial profits and property incomes increased while the real income of wage-earners and individuals receiving interest payments at fixed rates declined, or rose less rapidly.
>
> It was this reduction in the real income of one section of the community and the creation of large surpluses in the hands of other sections willing to lend to the government that in considerable part at least made possible Canada's remarkable record in mobilizing public savings through the various war and victory loan programmes. The decline in the relative standard of living suffered by certain groups, the rapid increase in savings and the postponement of needed capital facilities made possible the enormous volume of war loans and represented the sacrifice necessary for the conduct of the war.

In other words, what worked to the disadvantage of certain classes in the community worked to the advantage of certain other classes. A few got rich because of conditions created by the war; they loaned their money to the government for war purposes, and for the past twenty-five years the interest on these loans has been the first charge on the revenue of this country. Then he went on:

> Indeed it is perhaps not too much to say that some of the roots of the present war are to be found in the world-wide unsound financing of the last war and the great economic dislocations and continuing burdens of which it was in part the cause. It is to be hoped that in the present war the world may be able to avoid a repetition of that experience.

If this budget is any criterion of what the Canadian people may hope for, I am afraid we are not going to avoid similar disasters to those arising from the last war. Indeed we are allowing huge profits to be made to-day. We are borrowing these profits at good rates of interest, and we will continue for the next twenty-five years as we have done in the past twenty-five years paying interest to the people who have increased their wealth because of the war.

Again in the same speech, at page 136 of *Hansard*, the Minister of National Revenue, after referring to the difference between conditions in Canada at that time, that is September last, as compared with those in 1914-18, said:

> What has happened is, of course, a strong tribute to the vastly improved position which we enjoy to-day. True, we start with a much higher public debt, but in most other respects our economy is infinitely stronger. We are no longer dependent on vast imports of foreign capital on which the old pre-war boom was based. During and since the war Canadian savings have increased enormously and we have built up a vast and efficient mechanism for the mobilization of these savings. The strength of our banking system has always been recognized, but the changes which we have made in monetary and banking legislation during the last few years have greatly improved its efficiency and flexibility and its ability to promote the public welfare in war time as well as in peace time.

There is no doubt whatsoever of the enormous increase in savings during and since the first great war. And, strange as it may seem, savings have increased during the last ten years, despite the fact that Canada has been going through the greatest depression in its history. Each year the chartered banks of Canada file with the Minister of Finance a statement of the amount of money on deposit in current and savings accounts. I have the statement filed on October 31, 1939. The total amount is indeed enormous. But an analysis of the statement shows the same state of affairs as was shown by the

analysis of income tax returns which has already been placed on *Hansard* by the leader of the opposition (Mr. Hanson) and the hon. member for Mackenzie (Mr. Nicholson). It shows in fact an enormous concentration of wealth in the hands of a few. If we take the savings accounts only, that is deposits payable after notice, on October 31 last, there were 4,161,897 depositors with total deposits amounting to $1,709,156,774. But 3,828,291 of these, that is all accounts of less than $1,000, represented an average of only $119 each, or not enough to pay for a respectable funeral. Deposits between $1,000 and $5,000 numbered some 290,000, with a total of over $588,000,000, or an average of $2,027 per depositor. Of accounts of $5,000 to $25,000 there were 40,000, representing a total of about $348,860,000, and these again show a big increase in the average per depositor, namely $8,721. There were 2,757 accounts with deposits from $25,000 to $100,000, with an aggregate of $123,329,760, or an average of $44,708 each. Of deposits in excess of $100,000 there were 626, with over $190,000,000 aggregate deposits, giving each depositor on an average $303,770. It seems to me that instead of taking a few cents out of the pittances of wage-earners who may have been on relief during the past four years or part of that time, this government could well go where the money is and take some of it. It would be better for the government and better for the country, and I am sure better for those who have so much that they do not know what to do with it.

What has happened in the realm of finance as shown by the income taxes and also by the return I have just read, has taken place in the whole economy of the country. As a matter of fact, big business has this country by the throat, and never was there a government in Canada more tender towards big business than the present one. Despite the sad story of the exploitation of primary producers, of labour and of consumers related by every royal commission set up in Canada in the last six or seven years; despite the proof of monopolistic control of industry which has been indicated by investigations under the Combines Investigation Act, this government insists not only upon doing nothing but upon increasing the power and the influence of big business in the affairs of the country.

The latest commission to refer to this monopolistic control is the Sirois commission. Surely the findings of that commission should be of sufficient importance to merit the attention of the government. The price spreads committee referred to this matter, and every other committee which has investigated different industries has referred to it. At page 148 of book 1 of the report of the commission on dominion-provincial relations I find this:

> Business organization has everywhere become increasingly monopolistic. In Canada industry, commerce and finance are highly centralized and in many branches a few enterprises dominate the field. Under such conditions the maintenance of prices is possible in the face of declining demands. The monopolistic producers may consider that they are better off by selling less at higher prices than by selling more at lower prices. Consequently the burden tends to fall upon the workers who lose their jobs through the reduction in output, and on the exporters whose costs are thus held rigid while their prices on world markets are sharply reduced.

I would ask the government to take notice of what is happening to-day. It should take notice that the commission points out that our monopolistic producers do not consider the general public when they are considering the raising or lowering of prices. The commission shows that our monopolies may conclude that they can best improve their own position by selling less at higher prices than by selling more at lower prices. But while the monopolists are better off, the whole mass of consumers are worse off. Before there can be any sense to this urge to win the war and to defeat Hitler, there must be some programme setting out what we are going to do in Canada after we have defeated Hitler. The urge to defeat Hitler in itself is not enough.

I wish now to say a few words respecting the subamendment moved by the group to my left. The amendment to the amendment is as follows:

> Furthermore this house is of the opinion that there should have been no increased tax burden placed upon the consumer until Canada attain maximum production of desired commodities or full employment by issuing through the Bank of Canada, currency and credit in terms of actual public need.

I do not hold with my hon. friends to my left who say that all we have to do to increase production, to distribute goods or to make everyone perfectly happy and content, with the whole supply of wealth to draw on, is to issue money.

Mr. BLACKMORE: Nor do we.

Mr. MacINNIS: As a matter of fact, I think if the hon. member for Bow River (Mr. Johnston) who spoke to-night really took note of the quotations to which he referred, he would be sitting with the group to which I belong, because those quotations prove our position.

I was about to point out, however, that I am not going to quarrel with hon. members to my

left. It was stated to-night by the hon. member for Rosetown-Biggar that we are going to support this subamendment, and I see no reason in the world why we should not support it. I see no reason in the world why we should complain of poverty and distress while we have abundant natural resources, while we have abundant machinery and while there is idle man-power in the country. I do not see any logic in that sort of thing. The way to produce wealth—and the only way in which wealth can be produced—is to apply labour to natural resources. But as was abundantly proved in the statement of the Minister of Transport (Mr. Howe) delivered in the house on May 22, what stands between labour and natural resources, and the production of wealth, is the private ownership of the means of production. Let me read what the minister said as it is recorded at page 128 of *Hansard*:

> One of our chief difficulties has been to obtain the latest British designs for mechanical equipment used by our troops in common operations. British industry has not been too willing to part with these designs, many of which represent years of study and development by private manufacturing firms.

That is the cause of many of the difficulties in Europe to-day. Private interests would not release the things necessary to carry on the production of the country, in order to meet the menace of Hitler. That is what stood between the people of Europe and the means to defend themselves. It was not because they did not have the money to do it. They could not get it done because they could not get access to the machinery to effect production, because these private interests held certain rights with which they would not part until they got their meed of profit.

Mr. BLACKMORE: They would sell their goods to them.

Mr. MacINNIS: No; they would not sell their goods unless they were given something of value in exchange, and to the extent the government gives value, they create a debt. I do not care how you do it, every seller of goods accepts a promise to pay. It does not matter who issues the promise, it creates a debt somewhere. In order that the country may have the full use of productive forces, the country will have to take them over.

I noticed the hon. member for Acadia (Mr. Quelch) adroitly and, I believe, quite properly used the statement made by the Prime Minister (Mr. Mackenzie King) on August 2, 1935, in Saskatoon respecting the necessity of issuing currency and credit in terms of public need. I am sure hon. members across the way will be very glad to support this amendment, along with us!

Mr. HANSON (York-Sunbury): But he did not mean it.

Mr. MacINNIS: Oh, I would not say that in regard to the Prime Minister. I do not know that I would say it even of some other hon. members who might make a similar statement, because of course I must have regard to the rulings of His Honour the Speaker.

What this government lack most is a social vision. They do not look to the future. The world that they are looking at, the world that they think and live in, is the world that existed when they were young fellows about thirty years ago. As I look round this chamber at the faces of hon. members I see that most of them, not all of course, are about my age.

An hon. MEMBER: Thank you for the compliment.

Mr. MacINNIS: My hon. friend is young and handsome like I was thirty years ago. Most of us started out in life as young men about thirty years ago. We are not yet old, but we are living in a totally different world. As I look across the floor of this chamber I see many men who during the period mentioned had left the old country to come to this great Canada of ours. Along with thousands of other young men, I left eastern Canada as a youth to go to the last great west. But there is no great west to-day. You cannot leave the maritimes and hope to make your fortune in British Columbia, Manitoba, Saskatchewan or Alberta. Possibly you would not have made it thirty years ago, but at least there was hope, but you certainly cannot do it to-day.

We are living in an altogether different world. We must adapt ourselves to the needs of the present world. As I say, the greatest handicap of this government is that they have no social vision. They cannot look ahead. I am sorry to say that the proposals made the other day by the leader of the opposition (Mr. Hanson) were no more far-seeing than those contained in the budget. To advocate a cent sales tax on gasoline, the curtailment of ordinary expenditures, the placing of a sales tax on canned milk is not the kind of statesmanship we need for the present emergency.

Mr. HANSON (York-Sunbury): There is a war on.

Mr. MacINNIS: But there are still 300,000 men who are unemployed in this country. Until you put those men to work producing wealth you should not talk of taxing the children's milk, of taxing gasoline or of taxing

anything else. Put these men to work producing real wealth. That is what is necessary. There is also a war on in Great Britain, but despite that fact they have started to improve social services since the new cabinet was formed. I see in the press where soldiers' war pensions have been increased.

Mr. DEPUTY SPEAKER: I am sorry to have to advise the hon. gentleman that his time is up.

Mr. MacINNIS: I should like to read this quotation from the *New Statesman and Nation,* London.

Some hon. MEMBERS: Go ahead.

Mr. MacINNIS: I believe I have the unanimous consent of the house. The statement is quite short and it shows what the new government is doing.

Mr. DEPUTY SPEAKER: Do I understand that the house is agreeable?

Some hon. MEMBERS: Yes.

Mr. MacINNIS: The statement reads:

Single old-age pensioners living alone and without other resources will receive 19s. 6d. a week and in addition rent and winter fuel allowances which will be fixed in relation to local conditions by the assistance board advisory committees. A pensioner couple living alone will receive 32s. a week plus similar allowances. The new scales are based on proposals of the assistance board prepared before the change of government, but one or two minor instances of "scaling-up" show that the labour ministers did something to improve a measure whose basic principle was so opposed to their philosophy. As a temporary alleviation of war-time hardship it is to be commended.

Mr. H. C. GREEN (Vancouver South): Mr. Speaker, this parliament assembled just seven weeks ago to-day. After that short period we find ourselves in a new world, in a world which few of our Canadian people even dared contemplate. Holland, Belgium and France are gone. Italy has swooped down on helpless France. Great Britain, our motherland, is at bay, and how grand she is when facing such tragic conditions as she faces to-day! What an inspiration and what a challenge there is to every man, woman and child in the British commonwealth! The United States, our great neighbour, is alarmed and is rushing defence preparations. Canada is facing a very real threat of invasion.

We are in a new world, I repeat, a far more dangerous world than we ever knew before. Our empire is in jeopardy; our homes are in jeopardy, and it is essential that we in this parliament and the Canadian people have a clear vision of just what is at stake. I suggest that the issue is this: Are we to be free men or are we to be slaves? The situation is as serious as that, and our best defences are a fighting spirit and a grim resolve to see it through to the bitter end.

That is the background against which the Canadian parliament and the Canadian people view this budget. Is it any wonder that they are ready to accept it, heavy as it is? I think this is so also because of the great confidence they have in the Minister of Finance (Mr. Ralston). That has helped the Canadian people considerably when faced with this budget.

In my opinion, however, there are two features of the budget which are quite wrong. I should like to point these out in a spirit of helpfulness to the government. In the first place, the money paid to our fighting forces and to the dependants of our fighting forces is not clearly exempted from the new taxation. It should be. I ask the Minister of National Revenue (Mr. Ilsley) to correct me if I am wrong in any of my statements. I should like to quote section 18, subsection 8, paragraph (c) of the proposed Income War Tax Act resolution. This section deals with the new national defence tax and reads:

(c) members of the Canadian naval, military and air forces shall be exempt from tax while such members are on active service beyond Canada—

That would cover a man overseas.

—or are on active service in Canada and—

Here is the qualification:

—whose duties are of such a character as are required normally to be performed afloat or in aircraft, but only to the extent of their service pay and allowances.

As I interpret that provision, it means that the men serving in our military forces in Canada, who after all constitute the great bulk of the men who have enlisted, will be subject to this national defence tax. I believe the same condition exists with regard to the ordinary income tax. These men must pay an income tax on their pay and on the allowances to their dependants. I repeat that they and their dependants should not be taxed in that way. They are making a much greater sacrifice for Canada in far more difficult ways.

The second point on which I criticize the budget is the excess profits tax provisions. I think these provisions underestimate the loyalty and the will to serve of our business leaders in Canada. I am convinced that all they ask is a reasonable profit, and provision for that should be made for them; then all excess—not 75 per cent merely—over a reasonable profit should go to the nation. Such a provision in the budget would have done more than anything else could possibly have

done to make our people realize that there would be some equality of sacrifice in facing this war. But, instead, the government have compromised. They take only 75 per cent of the excess profits. Presumably that is based on the theory that to get the full cooperation of Canadian business men even at this time when our very national life is endangered, one must dangle before their noses the carrot of 25 per cent of excess profits.

I repeat, Mr. Speaker, that all that the majority of these business men ask is a reasonable profit, and not excess profits. Reasonable profit could easily be determined. There are, for example, in the budget resolutions provisions under which it is possible to arrive at what is called a standard of profits, and the same principle could be used in deciding on a reasonable profit. I suggest to the Minister of Finance and to the Minister of National Revenue that they follow the example of the Minister of Munitions and Supply (Mr. Howe) whose department in many instances now set a reasonable figure for contracts. They decide what is a reasonable price to pay, and the contract is awarded at that price. I think we must remember that Canada faces an emergency, that our national safety is endangered. The government have stressed that time and again this session, and at no time more strongly than when they introduced the mobilization of resources bill, Bill No. 43. Why, the very first paragraph of the recital of that bill contains these words:

> Whereas by reason of developments since the outbreak of the present war a special emergency has arisen and the national safety of Canada has become endangered—

That is the position; there is no disputing it, and I suggest that the government reconsider the excess profits tax provisions of the budget.

It should also be pointed out again to the Minister of Finance and to the government, and with the greatest emphasis possible, that this budget means great sacrifices for the Canadian people. It may mean suffering for many Canadian people. It certainly means greater sacrifices than any other budget in the history of Canada. But, despite that fact, the Canadian people will pay. Witness their response to the war loan in January last and how they rose to the occasion then. Witness their response to the sale of war savings certificates at the present time. They will make sacrifices, and do it gladly, if they believe they are getting value for their money and if they believe they are getting action for their sacrifices.

By value for their money I mean that there shall be no waste, and I mean further that there shall be no favouritism, political or otherwise, in the spending of this money. I have never made a practice in this house of hurling charges of patronage and things of that kind. I think the ministers and the government are dead against it, certainly at this time. But there are underlings across the country in every riding who are seeing to it that supporters of the government get jobs first. I do not think the ministers will deny that. Perhaps they are helpless to eliminate this entirely, but I appeal to them again, for the sake of the unity of Canada in our war effort, to make another attack on these heelers and stop that sort of thing—stop political patronage in connection with our war effort.

An hon. MEMBER: The shoe is on the other foot.

Mr. GREEN: That may be in some instances. Our people are no more perfect than your people, but it is a thing which in war time should be stamped out completely. I am not in favour of it in peace time either.

Action for their sacrifices means bold and aggressive leadership by the government, and in connection with my appeal for bold and aggressive leadership by the government I have certain suggestions to make, first concerning cooperation with Great Britain. I make this group of suggestions first because I think they are of prime importance at this moment.

It must surely be clear to every Canadian to-day that apart from sentiment, which after all is very, very important—and I do not wish to minimize it at all—we can best achieve victory by helping Great Britain beat Hitler right now. That is the best way we can achieve victory. I suggest that the government should send to Great Britain without delay all available troops. Weeks ago, the very first week this parliament met, the Prime Minister announced a speeding-up of our war effort. He said that the second Canadian division would be sent overseas without delay. But we have heard nothing yet of the arrival of the second Canadian division in Great Britain. At the moment he made that announcement the division had not been recruited up to strength. But this is one thing we must do—get all available troops to Britain without delay.

Second, may I urge, and urge most strongly, that we shelter in Canada for the duration of the war not only all the children Great Britain wishes to send here but any other of her people whom she wishes to send, women, the aged and the disabled. That is surely necessary not only to save the lives of these

kinsfolk of ours, but to help in the defence of Great Britain, which means to help in the defeat of Hitler. Great Britain to-day is an island fortress. Make no mistake about that. Great Britain is apt to become the battle ground at any minute. She is an island fortress in which food is of the greatest importance. There may be a scarcity of food there, and then it will come down to a question of how many people have to be fed. We should take into this country just as quickly as possible every man, woman and child Britain wishes to send here. Think of the way in which the fighting forces in France were impeded by the women and children, the disabled and the aged; think of all the confusion that resulted from their presence on the roads. We do not want that to happen in Great Britain. I urge upon the government to put nothing whatever in the way of the British government because time in this matter is of vital importance.

I suggest also that to help Great Britain we permit, nay, that we invite Great Britain to transfer to Canada any business which for war reasons she wishes to have transferred here. We should not put any barriers in her way in that regard, and finally, we should leave no stone unturned to become an arsenal and food reservoir not only for our own nation but for Great Britain as well.

Then I have certain suggestions to make concerning the fighting forces in Canada. One of the hon. members who preceded me this evening read from the press interview given by Major-General LaFlèche in London on June 28. I will repeat only a few words. He said:

> The dominion should look to her arms and the defence of her great coast-line without delay. Inaction and indecision should not be tolerated. To-morrow may be too late.

Every man in Canada of fighting age who can be spared from industry and from the production of primary products should be trained for the defence of this dominion, for everyone may be required. I think that fact should be made clear to the Canadian people. The government should at least inform the country of the approximate number that will be needed. This would enable many of the men who will be required to serve to arrange their affairs and make preparations beforehand. We may need one million men in our fighting forces in Canada; I repeat, one million men. In the last war we enlisted 628,462 from a population in 1918 of 8,148,000 souls. Last year we had a population of 11,315,000, and an equivalent number of men in the fighting forces in this war would be 872,686. But the danger to Canada to-day is far greater than it was in the last war.

[Mr. Green.]

I suggest also to the government that they make use of every reasonably fit ex-service man who volunteers for service. The government have provided for the recruiting of a few thousand only; they should use every fit man who volunteers. These men are men of proven courage, men of experience in warfare; best of all, they are men whose loyalty is beyond question, who can be relied on in any emergency. They are the finest reserves that we could have. They can be used to replace younger class A men, for example on coast defence. By this means many young men could be released for active service.

Mention of these large numbers—and I do so, not to frighten the house or the country, but because we in Canada must start facing facts; had we done so months ago, we would have been a great deal better off to-day than we are—brings up the question, who are the men to command all these troops? I cannot for the life of me understand why the government have not already chosen commanders and staffs for the third and fourth divisions, and sent these men over to England to find out the latest methods of warfare. Why do we delay so long? We had the same trouble with the second division; although parts of it were recruited last fall, no commanding officer or staffs were appointed until two or three months ago. It is an absurd way to make preparations to take our part in the war. It might even be wise for the government to recall certain men from our forces in Great Britain to lead our new troops.

In connection with our forces at home, I suggest that national defence headquarters here in Ottawa greatly needs strengthening. I regret to have to say it, yet I believe every hon. member is of the same opinion. It appears to me that there is unnecessary delay and red tape at headquarters. Perhaps that is only to be expected. In peace time these people went along smoothly; they were not required to face great problems, and they were not given much support either by parliament or by any government. Now national defence headquarters has to conduct and supervise one of the biggest enterprises in the country, an effort of such vital importance that perhaps the very survival of this nation will depend upon whether or not our defence is efficient. It calls for the ablest and most active men in the country. This is no time to be blindly following seniority. I suggest to the government that when the Minister of Finance (Mr. Ralston) takes over the department of defence he review all the staffs, both here and at other centres, and if he finds reorganization is needed he carry it through without any qualms at all.

I think he should consider bringing men back from England to fill key positions here, and he might also transfer men from the districts and from the non-permanent active militia. So much by way of suggestion to the government in connection with our war effort.

In addition, I have two suggestions to make concerning our civilian population. I make them because I believe that they will serve to raise the morale and the spirit of the Canadian people.

In the first place there are many Canadians on relief who are able and willing to work but cannot find employment. They are known as the employable unemployed. According to the *Labour Gazette* for June of this year, there were 166,000 men and women in this class in April. After Canada had been at war for eight months, after we had recruited nearly 100,000 men, after we had drawn into employment a greater number of men than ever before in our history—as is indicated in the issue of the *Labour Gazette* which I have cited—there were 166,000 employable Canadians and their dependants on relief. Nothing does more to lower the spirit of the people than this state of things. It must not be permitted to continue. Clearly in this crisis it is the duty of the government to see to it that the nation is so organized that every one willing to work can do so. We are in a new world; we are facing new conditions; our people are entitled to no less than the assurance of employment, and nothing will do more than employment to build up their morale.

The government should take over full responsibility for all employable unemployed. Let us face this question at last. Such a course has been recommended to us time after time. It was recommended by the Purvis commission. It was recommended again by the royal commission on dominion-provincial relations, known as the Rowell-Sirois commission. There is, at page 24 of their book of recommendations, a most clear-cut finding on this question. They say:

> The experience of the past decade is conclusive evidence that unemployment relief should be a dominion function. By unemployment relief we mean relief or aid for unemployed employables as distinct from unemployables.

If the government will do that and do it now, such action will focus attention on the need of placing these men and women. It will mean that they are so much more likely to get jobs. The government can get detailed information with regard to these individuals. The government have a far greater measure of control over industry and over the producers of primary products than they have ever had before, so that they are in a position to emphasize the fact that all Canadians must have a chance to work. Industry and primary production must be organized on that basis. Also the government can set up a national employment service. That has been recommended by both commissions I have mentioned, and it should be set up without further delay, stressing the placing of these people—not stressing registration but stressing the actual finding of jobs. And the government could very well appoint honorary advisory committees across Canada to help in the finding of jobs for these people. I do not think we make half enough use of honorary advisory committees in meeting the problems facing the country.

This brings me to my second suggestion with regard to our civilian population. The government should go much further, because after all theirs is the responsibility, in harnessing the enthusiasm of the people. We have hardly begun to do so. We have a great untapped reservoir of useful service in Canada to-day. That was very well illustrated in a telegram sent to the Minister of Pensions and National Health (Mr. Mackenzie) by the Vancouver board of trade, copies of which were received by other members from British Columbia or at any rate from Vancouver. Under date of May 23 of this year, it states:

> Members of the Vancouver Board of Trade wish to point out to the government the fact that thousands of citizens of this community expect the government to encourage and organize those who wish to serve their country. We respectfully urge that the government give a lead to those people which will dispel—

And these are significant words.

> —the growing feeling that their services cannot be used in any capacity and are not wanted.

Let the government bring in at once a bill providing for the proposed department of national war services so that suggestions may be given them in the house, and let them make the main job of that new department the putting of volunteers to work in Canada. For example, we have splendid work done by the women across the country. I dare say every member of this house fought his election to the tune of knitting needles. I did in my riding and I imagine the same is true of other parts of Canada.

Then we have the unfit young men, transients, who were rejected from the army. Surely there is no reason why they should not be organized into works battalions to do many of the things necessary to be done. Then there are our scientists and engineers. Long before the war the government got a

list of all engineers in Canada, and yet every week I get a letter from one or another of the engineers at the coast saying, in effect, "We registered months ago and want to do something to help in the war effort, and yet we cannot get anywhere. No one seems to need us and we might as well be in China for all the use we are to Canada." Then there are our youths, who are too young to serve. Surely they could be given physical training courses throughout Canada, something that would help them greatly.

Finally, I have a few suggestions to make concerning parliament, and I offer them with a good deal of diffidence. Incidentally, I should like the support of every private member on these suggestions, regardless of the party to which he belongs. I suggest that the government should make far more use of parliament. There has been a tendency this session to hold back discussion of estimates having to do with the war—for example, national defence estimates, external affairs estimates, pensions estimates—none of them considered yet, but all of them estimates on which we could have made useful suggestions to the government. Then there has been a tendency to reduce the hours of sitting. Each Friday, without much ado, this house adjourns at six o'clock. Every other year we sat on Friday nights and a great deal of useful work was accomplished. Perhaps it was because a good many eastern members had gone home for the week-end. I do not think the present practice is right under war conditions. It is not setting a proper example to the Canadian people. And then there has been a tendency to reduce the number of questions referred to committees. This house has been sitting for seven weeks, but at present only two committees are sitting and the only committee that has done any real work is the committee on the defence of Canada regulations. I know because I am on that committee.

It is all hard to understand. There are so many ways in which private members could help. The people of Canada are looking to this parliament for leadership as never before, and members of parliament feel their responsibility deeply. Every private member came here determined to do a job for Canada and we are not getting much opportunity to do it. The government should go out of their way to provide opportunities for the discussion of questions concerning the war. They would get many valuable suggestions, and those suggestions should not be limited, as they are at the present time, to members of the different opposition parties. It is a tragedy that the custom is such in this parliament that private members of the government party are supposed to keep still when estimates are under consideration. There are in this parliament many bright young men on the Liberal side who could be of great help at this time, and yet they are forced to sit as quiet as a lot of clams because a private member supporting the government is not supposed to take part in the discussion of estimates.

I suggest that the government should appoint committees designed to undertake the consideration of many questions. It is not too late. For example, a military committee might be appointed. In 1939 the government promised that a committee would be set up to go into military affairs, to survey the military situation across Canada. The Minister of Pensions and National Health is in his seat to-night. As Minister of National Defence he made that promise in the session of 1939. The Prime Minister did the same, and promised it again this session; yet nothing has been done. Private members are just as much in the dark as anyone in Canada on these questions simply because there is no committee work of that type. There should be committees, perhaps, to survey other services—the air force, the naval service, a committee to advise on the functions of the national war service department, a committee on external affairs, and so forth.

Parliamentary government in Canada is at stake, and now is the time that parliament should be showing leadership. The government must give private members an opportunity if parliament is to show leadership. We are in a new world and there should be a new spirit in parliament. There was such a spirit in the war session, last fall, but there has been very little since, either in the session in January or in this session. The old days of party sham-battles and playing the party game in and out of the house are gone forever. They are just as much out of date as the bow and arrow. I sometimes wonder whether that is realized by any party in the house, and I include my own party, the Conservative party, in the statement. The Canadian people need something better in their parliament at this war time.

I thank the house for the patient hearing given me. All these suggestions are meant to be helpful, and I trust they will be accepted by the government in that spirit. In conclusion, may I repeat that our best defence in this crisis is a fighting spirit and a grim resolve. Canada is a strong young nation, not yet fully realizing its own strength. Our

job in this parliament is to see that the efforts of that young nation are directed into channels where they will be most effective in bringing about victory. Let us drop half measures; let us go all out to win, and let us remember and take comfort from the fact that our people are a people of courage and of vision, and that our cause is just and is the cause of humanity.

On motion of Mr. Maybank the debate was adjourned.

On motion of Mr. Crerar the house adjourned at 10.55 p.m.

Friday, July 5, 1940

The house met at three o'clock.

STANDING COMMITTEES

RAILWAYS AND SHIPPING—CHANGE IN PERSONNEL

Hon. C. D. HOWE (Minister of Transport) moved:

That the name of Mr. Emmerson be substituted for that of Mr. Hill on the standing committee on railways and shipping, owned, operated and controlled by the government.

That the name of Mr. Jackman be substituted for that of Mr. Diefenbaker on the standing committee on railways and shipping, owned, operated and controlled by the government.

Motion agreed to.

EUROPEAN WAR

STATEMENT AS TO RECENT ACTION BY BRITISH GOVERNMENT TO PREVENT FRENCH FLEET FROM FALLING INTO ENEMY HANDS

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, although the ultimate situation remains obscure, and the present relations between the government of the United Kingdom and the French government at Bordeaux have not yet been clarified, I feel that I should say a few words at this time. Members of the house will have appreciated the feelings of Mr. Churchill when they read his speech delivered in the British house yesterday. Nothing could have brought home more clearly the tragic irony and agony of war, than the grim obligation placed upon the British navy to prevent the French fleet from falling into the hands of Germany and Italy.

Nothing can be gained by a recital of the events which led up to the seizures, the sinkings, and the conflict between ancient allies and friends. The proposals made by the British emissary to the French admiral at Oran would seem at this time and distance to have contained within them an honourable and bloodless solution. Fate decreed otherwise. No one can blame the French admiral and his gallant sailors for loyal obedience to their government, however precarious its powers, however shackled its decisions. Equally, no fair-minded men knowing the attitudes and minds of the German and Italian dictators and their record of promises made, and promises broken, could expect the government of the United Kingdom to imperil the security of the British isles and the dominions by allowing the French fleet to pass into the control of the enemy. Wednesday's action cannot be regarded as directed against France. Rather was it action against ships that already, for all practical purposes, were German and Italian instruments of war.

I am sure that it is the prayer of the people of Canada who owe so much to the memory of France, that the French people will recognize that if the Bordeaux government acted under the compulsion of the conqueror, the British navy acted equally under the compulsion of its great responsibility for the preservation of the liberties of the world. In no country has the calamity of France received more understanding sympathy than in Canada. The plight of the French people and the destitution that has overtaken its millions of refugees have filled us with profound sorrow. It is our faith that although the might of a ruthless machine has for a time, but we believe for a time only, overwhelmed the power of France, nothing can vanquish the soul of that great nation.

Whatever may have happened, or whatever may come to pass, Canadians of all races and classes know in their hearts that there is only one thing that matters to-day in the world of free men; that is the ultimate triumph of the cause of freedom for which Britain and France alike took up arms, and the certain defeat of the evil powers that threaten to enslave the world.

FINGERPRINTING FOR IDENTIFICATION PURPOSES OF REFUGEE CHILDREN SENT TO CANADA

On the orders of the day:

Mr. G. K. FRASER (Peterborough West): I should like to ask the Minister of Mines and Resources (Mr. Crerar) whether his department has set up the necessary machinery and staff to fingerprint all refugee children for

identification purposes so that a record may be kept at all times of these children, and also to avoid any chance of the parents getting the wrong children back after the war is won by the British empire.

Hon. T. A. CRERAR (Minister of Mines and Resources): The necessary steps are being taken to handle this rather difficult matter in as satisfactory a way as possible.

NATIONAL REGISTRATION

CALLING UP OF CLASSES UNDER THE NATIONAL RESOURCES MOBILIZATION ACT

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, I desire to ask the Prime Minister (Mr. Mackenzie King) some questions which are based upon a report which appeared yesterday in the French language newspaper *Le Droit* with reference to the mobilization of man-power under the National Resources Mobilization Act. I shall read just one paragraph of the translation:

> The following classes of the Canadian army may be mobilized next Monday:
>
> (a) Young men from twenty to twenty-seven years of age.
>
> (b) Married men between the same ages.
>
> That is what the Prime Minister may have said yesterday—and we learned it from a reliable source—at a Liberal caucus, after Mr. Arthur Slaght, Liberal member for Parry Sound, had made a virulent speech in favour of total conscription to enable Canada to do her full part for the defence of England against German invasion. The leader of the government is said to have reassured the members against the likelihood of a nazi attack against Canada in saying that the United States would never tolerate the invasion by a foreign power of any foot of territory of the two Americas.

I do not quite understand the reason for all the laughter, Mr. Speaker.

These are my questions: (1) Has the government determined to call up the two classes mentioned? (2) If so, has the order in council been passed? (3) If so, when will it be laid on the table? (4) Is the Liberal caucus the appropriate place to make such an announcement? (5) If the report is untrue, when will the first steps of mobilization be taken?

Right Hon. W. L. MACKENZIE KING (Prime Minister): May I see the questions? If I had them before me I could answer them one by one.

Mr. HANSON (York-Sunbury): I shall hand them to the Prime Minister.

Mr. MACKENZIE KING: Question 1: Has the government determined to call up the two classes mentioned? The answer is no. Question 2: If so, has the order in council been passed? The answer is no. Question 3: If so, when will it be laid on the table? I suppose the answer is, God only knows.

Mr. HANSON (York-Sunbury): That is probably true from what I hear. God only knows when you will take action.

Mr. MACKENZIE KING: Does my hon. friend wish to ask some other questions?

Mr. HANSON (York-Sunbury): The Prime Minister is treating this as a joke.

Mr. MACKENZIE KING: I must say that I am amazed at my hon. friend having read the article which he did because he knows that the proceedings of a caucus are completely secret and are never disclosed to the public. The article which he has read is a fabrication from end to end, and, as I followed it, there is not a scintilla of accuracy in a single line of it. I would think that my hon. friend would have so regarded it the moment he read it.

Question 4: Is the Liberal caucus the appropriate place to make such an announcement? My hon. friend knows very well caucuses are not the place where any announcement of government policy is made. He assumes in his question that an announcement has been made. I state that there was no announcement of any kind. Question 5: If the report is untrue, when will the first steps of mobilization be taken? The answer to that I gave to an hon. gentleman opposite a day or two ago. They will be taken by the Department of National Defence when the department is ready to make its announcement.

I hope that my hon. friend the leader of the opposition will not think that I was trying to treat this matter in any light way. I was simply giving it the kind of treatment which I think it merits.

ARTICLE IN LE DROIT—PRIVILEGE, MR. SLAGHT

Mr. A. G. SLAGHT (Parry Sound): Mr. Speaker, rising to a question of privilege, may I say that the statement which the hon. leader of the opposition (Mr. Hanson) has quoted, in so far as it refers to me is literally and absolutely a falsehood. May I suggest to the hon. gentleman that the next time his friend who persuaded him to place before this house such a ridiculous and preposterous statement, tries to put his ear to the keyhole of a caucus and then carries tales to hon. gentlemen opposite, he ought to be arrested and thrown out of the house.

Hon. R. B. HANSON (Leader of the Opposition): Thanks for the lecture.

Mr. W. A. FRASER (Northumberland, Ont.): That will hold you for a while.

THE MINISTRY

SWEARING IN OF HON. J. L. RALSTON AS MINISTER OF NATIONAL DEFENCE—LENGTH OF BUDGET DEBATE—CABINET CHANGES

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, may I say, having relation to the very grave situation as it is in the world to-day, that the government had rather hoped that at least a part of the debate on the motion which has been before the house throughout this week to go into committee of ways and means on the budget might have been curtailed. The Minister of Finance (Mr. Ralston), as the house knows, has undertaken to assume the duties of Minister of National Defence. Out of courtesy he has remained in the house throughout the week listening to the various speeches that were made in order that, if it were thought necessary, he might reply to certain matters at the conclusion of the debate. Throughout the whole week not only has my hon. colleague been following the debate as I have mentioned but he has also been giving every other hour that he has had free to the work of the Department of National Defence. He has not spared himself for weeks and months past with reference not only to financial matters but also with reference to matters relating to the Department of National Defence. This week he has been giving all the time that he has had outside of this house to very pressing defence matters in cooperation with the Acting Minister of National Defence (Mr. Power).

I was hoping that this afternoon it might be possible for us to have a division on the motion and the amendments, but I understand that the whips have a list of several speakers and that it may not be possible to have a division to-day. In these circumstances I should like to say to the house that if we have not reached a division before six o'clock this evening, I would wish the Minister of Finance to take over without further delay the portfolio of National Defence. I have already asked His Excellency the Governor General if he will receive the Minister of Finance and myself in order that Colonel Ralston may be sworn in as Minister of National Defence and devote his time from now on to the all important work that has to be carried on in that department. If there is anything in the discussions which have arisen or may further arise on the motion to which the Minister of Finance might wish to make a reply at a later stage, I hope the house will permit him to do so when we are in committee at some moment that will be convenient to himself. But I wish to impress on the house that the problems respecting defence demand the immediate and urgent attention of the minister who is to command that department in cooperation with the Minister of National Defence for Air, and I therefore hope that his services in this house as Minister of Finance, with respect to ways and means, may be dispensed with from six o'clock on to-day.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, I have every sympathy with the position to which the right hon. gentleman has referred. I had it in mind last Tuesday when at the conclusion of my remarks I made what for me was perhaps a rather strong appeal along the very lines which the Prime Minister has just indicated. If hon. gentlemen will refer to page 1256 of *Hansard*, the second column, they will observe what I am referring to. I shall read, not it all, but only this part:

> And so, Mr. Speaker, to expedite the business of the country, to expedite particularly our war effort, to expedite the minister's plans with respect to the defence of Canada and especially of our Atlantic shore line, I suggest to the house, I suggest to the government and their followers, and I make a special appeal to my friends in the far corner, that we let this budget pass and release the minister to administer his new office of Minister of National Defence. Let the new Minister of Finance, whoever he is to be—

And then I went on to refer to the Minister of National Revenue (Mr. Ilsley) piloting the financial resolutions through committee, and I made an offer to help. I was prepared then, Mr. Speaker, to see this budget pass that afternoon. I went to see the Minister of Finance before I came into the chamber. I suppose I should tell the whole story; there is nothing secret about it. The Minister of Finance, I believe, was quite relieved, and quite agreeable to the suggestion, but, as I think he was in honour and duty bound, he said he would have to consult his leader. He did so. Nothing occurred. The debate went on; and we did not put up, as far as I can recall, a single speaker that day. Nothing more was said to me. I concluded therefore that the suggestion had been rejected.

Mr. MACKENZIE KING: No.

Mr. HANSON (York-Sunbury): And I think I had a right to draw that conclusion.

Mr. MACKENZIE KING: Oh, no.

Mr. HANSON (York-Sunbury): Well, the suggestion was not accepted—I will put it in that way.

Mr. MACKENZIE KING: May I say to my hon. friend that I am sure there has been a very serious misunderstanding if that is the view which he has had. When my

hon. friend the Minister of Finance (Mr. Ralston) asked me about the matter, the leader of the opposition (Mr. Hanson) had mentioned in connection with the shortening of the debate that he would make his speech immediately, and the point I understood to be the one raised was, whether it would be quite proper for the leader of the opposition to make his speech immediately, having in view exactly what he has suggested, namely that it would serve to shorten the debate if he as leader of the opposition had spoken. I said certainly, by all means; and my hon. friend made his speech. My hon. friend made the suggestion, and I gladly accepted it. May I say that in rising to speak I had intended to draw attention to what my hon. friend said last Tuesday and to express a word of appreciation that he had seen the necessity of the Minister of Finance getting quickly over to the Department of National Defence and had sought to accommodate the government in that way. What my hon. friend has said just now as to our not having appreciated to the full his willingness to cooperate comes as a complete surprise to me.

Mr. HANSON (York-Sunbury): I suppose I am very stupid and very dense. Apparently I am at times, and it is hinted that I was, early in the afternoon, although I am not yet convinced. But certainly I never understood that the government accepted my proposal, and I do not recall that the Prime Minister said to me what he says he did. If he says he did, I accept his statement.

Mr. MACKENZIE KING: It was said here, when all three were together.

Mr. HANSON (York-Sunbury): I went over to ask if a decision had been reached. The Minister of Finance said that he did not have his glasses and could not read the note I had sent him previously. My hon. friend said something about a reconstruction of the cabinet, and I said, "That does not have to dovetail into this." Let us get the whole story. I went back to my seat expecting that there would be some response from the government. So far as I know I never got any.

I agree entirely with the principle involved. I think it is a crime that the hon. gentleman should have to sit glued to that seat and listen to some of the speeches, at all events, which have been delivered. I should like to point out, as I am reminded, that a Liberal member immediately followed me, and the debate, I assumed, was to go on.

Mr. RALSTON: May I say a word?

Mr. POWER: Where are the hon. gentleman's glasses?

[Mr. Mackenzie King.]

An hon. MEMBER: What are we doing now but killing time?

Hon. J. L. RALSTON (Minister of Finance): My hon. friend did come over to me and ask if a decision had been made. I spoke to my leader at the time, and I said it was all right. I was astonished when my hon. friend at the conclusion of his speech asked me if I had any statement to make. I promptly rose in my place and made the statement that so far as the government was concerned we were quite prepared to give full opportunity for the discussion of any question which might arise on the resolution to go into committee of ways and means, if hon. members saw fit to confine themselves in connection with the debate. With regard to the hon. member for St. Antoine-Westmount (Mr. Abbott) who spoke immediately after my hon. friend, I myself went over to see one of his friends on the other side of the house to ask him if he would go on, because he was very anxious to do so. I saw that there was no intention, on the part at least of that particular friend of my hon. friend, not to go on with the debate, but that he did not want to go on that day. The result was that the hon. member for St. Antoine-Westmount continued the debate. But I did expect that sooner or later, and probably sooner than later, the debate would end, with the assurance I had given. It has dragged on. I do not think it was anybody's fault, but I do not want my hon. friend to say that there was no response to his suggestion, because the response was made not only by me privately but, as *Hansard* will show, on the floor of the house.

May I add that I appreciate very much indeed what my hon. friend has said, and I appreciated the suggestion he made at the time. I would be perfectly willing to stay here, as it is my duty to do, but the time has come when my leader has been good enough to intimate, and perhaps the house will agree, that it is more important for me to be elsewhere. That is why the procedure which my leader has indicated will be adopted.

Mr. HANSON (York-Sunbury): I guess we had our wires crossed.

Right Hon. ERNEST LAPOINTE (Quebec East): I should like to draw attention to the fact that since my hon. friend made that statement there have been twenty-one speeches. Of that number, seven were delivered by hon. members supporting the government. Yesterday, of eleven speakers, two were on this side of the house; and the day before yesterday, of six speakers, two were on this side of the house.

Mr. ROWE: That does not add much to the subject.

Mr. LAPOINTE (Quebec East): It shows who killed the time.

Mr. ROWE: It shows that on the first day the government put on the speakers.

Mr. M. J. COLDWELL (Rosetown-Biggar): May I say as far as this group is concerned that we have no knowledge of any attempted understanding between the government and the leader of the opposition (Mr. Hanson). May I add that on the address in reply to the speech from the throne we did not, because of the request of the government, take the accepted right to debate matters in connection with our own constituencies; but in spite of the fact that the Prime Minister (Mr. Mackenzie King) had said that on the war appropriations bill almost anything might be discussed, when the hon. member for Mackenzie (Mr. Nicholson) rose to discuss some matters in connection with his constituency, he was stopped. When the emergency mobilization bill a short time ago was under discussion we were given to understand that it was vitally necessary that that bill should be passed immediately. The Prime Minister told us he only wished he had the power that night to do certain things. But so far as I know no orders in council have yet been tabled under that particular measure. "One", someone says. This is the only opportunity remaining for hon. members to bring before parliament constructive ideas and grievances from their constituencies, and it seems to me that that right should not be taken away from the private member.

As far as the Minister of Finance (Mr. Ralston) is concerned, we all agree that he should be attending to the Department of National Defence. But may I say this, that there is no earthly reason why the change should not have been made and the gentleman to be designated the new Minister of Finance should not have been appointed and followed these debates. Indeed, I think that when the budget resolutions are before the house the minister who will have to administer this department should be seated in the chair of the Minister of Finance.

I think the government is making a mistake in attempting to restrict the latitude allowed private members to bring forward matters they wish to discuss. Private members have few opportunities to introduce such matters. After all, private members' days have been taken away, and the opportunity for introducing private bills has virtually disappeared or, at any rate, has been greatly curtailed. On behalf of a number of private members I wish to protest against these rights being taken away even under war conditions. As far as we are concerned, as we said at the outset we are anxious and willing to facilitate the business of the country and to cooperate in bringing the present war to a successful conclusion, but that does not mean that we are committed to support all that the government suggests or to remain silent in our seats when we have something which we feel ought to be said. Therefore I suggest to the Prime Minister that the proper procedure would be to name the new Minister of Finance and relieve the present minister, thus allowing us to get down to the business of the country in a proper manner.

Mr. MACKENZIE KING: That, may I say to my hon. friend, is what I have always intended to do and it will be done at the end of this week; but what I wish to make clear is this, and it was made clear at the outset. The present Minister of Finance (Mr. Ralston) wished, if the occasion seemed to require it, to make a reply on the debate on the main motion to go into committee of ways and means. It was always understood that as soon as that reply had been made my hon. colleague would give up the portfolio of Finance and take over the Department of National Defence and that other changes would follow. I intimated that later I would have something to say about other changes in the government and I have been waiting until the Minister of Finance takes over the Department of National Defence to announce those changes. May I say to the leader of the opposition (Mr. Hanson), when he says that I mumbled something about the reconstruction of the government—

Mr. HANSON (York-Sunbury): Did I use the word mumble? I am sorry if I did. I do not think I said mumbled; I said, "mentioned something".

Mr. MACKENZIE KING: Mentioned, then. What I mentioned was exactly in accord with what I am saying at the moment. I said that while it would oblige us if the debate were shortened in the manner in which my hon. friend has suggested, I was not ready at that particular moment to make the statement with respect to the reconstruction of the cabinet—I might have used that phrase in relation to cabinet matters—which I promised would be made at the time the minister would be going to the Department of National Defence. I am ready to make that statement when the minister is transferred. That statement will have now to be made on Monday. The present Minister of Finance will be sworn in this evening as Minister of National Defence and on Monday I will announce who his successor is to be, and make such other statements as to cabinet matters as it may be appropriate to make at the time.

THE BUDGET

DEBATE ON THE ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed from Thursday, July 4, consideration of the motion of Hon. J. L. Ralston (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Coldwell, and the amendment to the amendment of Mr. Quelch.

Mr. RALPH MAYBANK (Winnipeg South Centre): After the remarks just made I am in this position. One generally collects together a few notes for the purpose of making a speech, but I do not need any notes at all at the present time. They can be thrown away. The leader of the opposition (Mr. Hanson) started this fifteen or twenty minute interlude by suggesting that too many speeches were being made. Indeed, I felt from the tone of his voice that he was almost going to use the word "drivel", but he did not do so. I may be wrong about that, but I got the impression that that was his feeling.

One hon. gentleman commented on the rights of private members under circumstances such as those in which we find ourselves to-day. The house knows what my views are on that question. The Prime Minister (Mr. Mackenzie King) and others have indicated their keen desire for a vote on this question this afternoon so as to get it out of the way in order to get on with something else. The opportunity for placing on the record such facts as I desire to put on *Hansard* will come at another time. It was not my intention at any time to speak at great length in the house if I could possibly avoid doing so. This afternoon, however, I had thought there were certain facts that ought to be made a matter of record in this chamber. But in view of what has been said; in view of the fact that I thoroughly agree with every bit of it, especially with that part dealing with the need for getting on with the business of parliament and getting this particular question out of the way, and in view of the fact that an opportunity will still be given me to place before the house those facts of which I desire to apprize it, I am not going to proceed any further with my remarks on this occasion. I shall, however, appeal to others to refrain from making further speeches on the motion so that we may pass it immediately. With these observations I resume my seat.

[Mr. Mackenzie King.]

Mr. KARL K. HOMUTH (Waterloo South): It is not my desire to delay the house unduly, nor am I going to take any responsibility for the discussion that has gone on in this debate. We are private members, as the leader of the Cooperative Commonwealth Federation group has said, and as such we have certain responsibilities. I am not sure that the responsibilities of private members at a time like this are not just as great as the responsibilities of cabinet ministers. We at least go home every week-end and come in contact with our electors, meeting people in different walks of life and getting some idea of their reaction to our war effort, so that we obtain a knowledge which cabinet ministers do not get. As one Liberal member said yesterday in this house, speaking to cabinet ministers, it would be a good thing if they could get away from behind their mahogany desks and go and meet the people, because they would then have a much better idea of what the people thought of the government's activities.

There are some phases of this war effort with which I wish to deal. I think they are important. In fact, I regard them as so important that in my opinion the Minister of Finance (Mr. Ralston) should have been in the Department of National Defence as full-fledged minister of that department so that he could have dealt with these matters before. If the government's war effort had been organized as it ought to be, there would be no necessity to-day for such a reorganization of the Department of National Defence.

Before dealing with this very important question I might make some reference to some of the new members of the house, particularly the younger members who have come in. The hon. member for Vancouver North (Mr. Sinclair), who seconded the motion for the adoption of the speech from the throne, came here as a new member with a keen sense of his responsibility. He made a speech in which there was no political bias, no partisanship, but he spoke just as all of us feel in this house, pointing out that we had a big job to do and that it had to be done without any vestige of politics in it.

The hon. member for Matapedia-Matane (Mr. Lapointe), who moved the adoption of the address, the son of the Minister of Justice, made a stirring plea for a closer union of the English and French-speaking people. I think everyone in Canada echoes that plea. If he and young men in other provinces would go out and preach, without any political rancour, that tolerance which is so necessary, it would do much for the upbuilding of a better

understanding in this country. One unfortunate feature is that whenever we talked about national unity before, it was always coupled in some way with a political campaign. Now is the time when we ought to be developing that national unity as we never developed it before. It is up to the young French-Canadians, and the young men of English, Irish and Scottish birth in the various houses of parliament in this country, to go out and preach that tolerance.

The hon. member for Cape Breton South (Mr. Gillis) has come here and speaks as a voice of labour. He has told us of some difficulties he has had in fighting the battles of labour. Finally his people thought enough of him to send him here to the highest parliament in the land. There may be some hon. members who look upon him, or some of his ideas, as radical. Sometimes I wonder, because many things that we thought quite radical twenty years ago are now regarded as quite conservative. At least he has the opportunity and the ability to place his ideas before this house.

In our own group we have a young man, the hon. member for Lake Centre (Mr. Diefenbaker), who has taken an active part in the politics of his own province and who has come here with a keen sense of his responsibility. In all the speeches he has made in this house he has sought to do something worth while for his people, realizing that the solution of their problems is necessary for the general welfare of Canada. I refer to these four men particularly as illustrating the varied and widespread interests represented in this house, and the responsibilities that rest upon us as members of parliament in trying to find the solution of these problems.

Then we have a large number of new members in this house, in all parts, who saw service in the last war. I believe that the government could well take advantage of the knowledge which they gained in the hard way in the last war, and use that knowledge in the furtherance of our war effort. I have seen a number of new parliaments convened, and I do not know when we ever had a parliament convened with new members who were more seized with their responsibilities than the new members who entered this parliament.

I want now to deal briefly with the budget and our war effort. Day after day since this session opened we have been getting more and more information which proves only too clearly how inadequate our war effort was. Our people were lulled into a sense of security during the election campaign by being told what was done; afterwards we found out that most of what we were told was done was simply contemplated. We find in the last two or three weeks an effort to upheave industry completely so as to get these things done that we ought to have been doing for many months before. I am sorry that the Minister of Finance has not yet taken over the Department of National Defence. He has a tremendous job on his hands; he has a great deal of house cleaning and reorganization to do, and I am sorry he is not in that department doing it now. When he was designated as Minister of National Defence there was a general feeling of satisfaction throughout this country. The people believed that they were going to have in that department a man who would do something, but two weeks have gone by and while he has been taking some part, the work that should be done has not yet been done. One of the first things that I suggest he should do is to cut away a lot of the red tape from our war department.

When a nation is at war there are two departments of government that are of the greatest importance, aside from those that deal with economic and internal problems. Those two departments are the Department of National Defence, dealing with the service men, and the Department of Munitions and Supply. To my mind those departments should be distinct. The Department of National Defence dealing with the service should be composed of men who have one duty to perform, namely the training of men for the army, the air force, the naval service and any other services in connection with our war effort. The Department of Munitions and Supply should have full control over the requisitioning and purchasing of all supplies needed. The service department should only requisition. At present we have mixed authority, such mixed authority that at times it has caused weeks and weeks of delay in the getting out of supplies, because in the Department of National Defence we have men who draw up the specifications, set out all the details with regard to what they want, and the Department of Munitions and Supply orders accordingly. In so many instances the specifications were not drawn by men who know the best way to get production in industry but were drawn, for example, by the British war office. These specifications were not adaptable to Canadian business. I know many instances of articles being ordered of a type not even made here or in the United States. They were typically English articles. Weeks went by, and finally it was found out that it was impossible to procure that type of article here. Then they had to decide that the article made in Canada or the United States would do and the specifications had to be revamped.

Now I believe, and I think industry in this country believes, that it has not been taken into the confidence of the government as it should have been. Instead of the department saying to industry, we want something of this type; what is the best way to produce it? they said to industry, this is what we want. In many instances industry could not produce it according to that particular type. I know of one instance when the question arose whether a round or a flat shoe-lace should be used for a lacing job on a certain article required by the Department of National Defence. Production was held up for five weeks, until the department decided that a flat shoe-lace would do the job, because there was no such thing as a round-shoe lace made anywhere on this continent.

That will give the house some idea of how delays have been brought about in the Department of National Defence and the Department of Munitions and Supply. As I say, many of our orders have been based entirely on English standards. Anyone who has been associated with industry in Canada knows that the English are not very quick to change their methods of manufacturing. After the trade treaty of 1932 was put into effect, a great many people in this country tried to turn trade to English companies, but the English manufacturers said, "this is what we make. It is good enough for us; it ought to do you." Canadian industry said, "No; this is what we want," and it was often only with very great difficulty that we were able to get English industries to change their systems to make products suitable for the Canadian trade.

I should like to give an instance that will show exactly what the Department of Munitions and Supply has been up against. Throughout this session, as in other sessions, certain hon. members have continuously gibed at industry in this country. During this session a number of hon. members have made the statement that industry went on a sit-down strike. I want to say that never in the history of Canada has a government received greater cooperation from an industry than this government has had from the textile industry of this dominion. In February of last year, months before the war began, the textile industry said to the government, "There is going to be difficulty in changing over our industry for war purposes. Give us a lead; give us some idea as to what you may need. Let us talk over these matters and begin to organize our industry now." Their plea was without effect; nothing was done. Then in September war broke out and immediately supplies were required for the army. At that time the munitions board was just being created, and there was no authority in any department to give firm orders for anything required from the textile industry. We went to work on the promise that eventually the firm orders would come through, and material worth hundreds of thousands of dollars was processed in the textile mills of this country without orders from the government, which did not come through until the end of October. At the end of that time the price was set, and that price was subject to a downward revision when the government accountants went into the textile mills. The government has kept a very close check on the profits being made by the textile mills, and those mills are quite willing that this should be done.

Again, Mr. Speaker, immediately on the outbreak of war in September I went to the Minister of National Revenue (Mr. Ilsley) and pleaded with him to place an embargo on wool, because the drastic government specifications, based entirely on English specifications, called for the use of cross-bred wools in the manufacture of cloth in Canada, wools that we did not produce here. However, we did have, in the hands of dealers throughout the country, several million pounds of other wool which we had to have for military purposes. Several times during the special session I pleaded with the minister to place an embargo on the export of that wool, but he would not do so. He said he did not think it was in the interests of the trade to do so, and it was not done. As a result, there was exported two and a quarter million pounds of wool, of which we were very badly in need, and the loss of which held up the production of military cloth in some of the mills for several months. At that time I, together with many other hon. members and many business men throughout the country, wrote the government offering my services, stating what I had done, in what business I was engaged and also that it would cost the government nothing. Of course it was impressed on us then, as it has been impressed upon us many times since, that this was a Liberal war, being carried on by the Liberal party, and apparently our suggestions carried no weight.

Mr. RALSTON: Will my hon. friend permit a question? Would he mention anyone who expressed that view to him, anyone in authority whom he asked for an opportunity to serve and who told him it was a Liberal war?

Mr. HOMUTH: Before I have finished my speech I will convince the Minister of Finance that it is still a Liberal war.

Mr. RALSTON: I am just asking my hon. friend a plain question. He said he was told that this was a Liberal war and that it was being carried on by the Liberal party.

Mr. HOMUTH: I did not. What I said was that I realized then that it was a Liberal war.

Mr. RALSTON: No; that is not what was said.

Mr. HOMUTH: If I said I was told, then I withdraw the word "told"; nevertheless, as I shall prove conclusively, it still is a Liberal war.

Mr. RALSTON: My hon. friend is making that statement.

Mr. HOMUTH: And I shall prove it.

In any event, Mr. Speaker, our association continued to function in an endeavour to help the government. Last October we made certain representations to the wool administrator. There was the question of the manufacture of blankets. The specifications said that grey blankets must be supplied. What did it matter to the soldier whether the blanket was grey, brown or blue, as long as it was warm? But it was impossible to convince the men at the Department of National Defence that the specifications should be changed. The material they wanted was not available in this country; the other was, and its use would have meant a substantial saving to the department. Five or six months went by; finally they decided to change their specifications. Last week another large order for blankets, specifying the type we had suggested last October, was given to the mills. This order will require some 1,400,000 pounds of wool, at a saving to the government of some 8 cents a pound, which means a saving, on that order alone, of about $112,000.

These are some of the things in the Department of National Defence which I say to the Minister of Finance must be changed. I believe that all the work of setting up specifications, calling for tenders and buying should be done by the Department of Munitions and Supply. That is one example of the way in which money could be saved.

The minister has continually stressed that we must save United States funds; for that matter, that we must save Canadian funds also, and we must buy very, very carefully. If those in charge would go to industry and say, "This is the type of article we want. How can it be best produced at the lowest possible cost?" industry would be only too glad to cooperate, but industry has not had that opportunity to cooperate. So I suggest to the minister that we should no longer follow the old road that we followed in peace time. In those days it was all right to call for tenders and take months to decide what action should be taken. It is no good in time of war. This road that we follow in connection with governmental purchases is too full of departmental stop lights. We should be able to take the shortest road to reach our goal, but we have not been doing that in our war effort. We have not been organizing industry in this country as it ought to be organized.

I had thought that the new minister, working in cooperation with the Minister of Munitions and Supply, would give us a complete new set-up of our war effort. I think that is necessary if we expect to get anywhere. Furthermore, I think this government ought to set up a munitions board which would have full power to award contracts. Then it would not be necessary to have all these matters passed through departmental channels. The other day I referred to the fact that a number of factories had bid on the making of a certain type of shell, but only one was geared up sufficiently and it received the order. The others could not compete in price because it is necessary to include the cost of tooling in the price bid for a first order. If we had a munitions board it would have the power to say that more could be paid on the initial order. It does not cost any more to tool up for 10,000 than it does for 50,000 or 100,000 or 1,000,000 shells. We would then have twenty-five or thirty industries equipped to go ahead and turn out these shells. We are certainly going to need them.

I am not saying this in any spirit of recrimination. I am saying it because industry itself feels that it is not getting an opportunity to do what it would like to do in connection with our war effort. The minister questioned me as to my statement that this was a Liberal war. Let me say to the Minister of Finance that with regard to contracts which are being awarded from one end of Canada to the other patronage is just as rampant to-day as it has been in peace time. If a man wants to get a job on some of these works he must go to the Liberal organizer or the boss of the Liberal party in that particular riding to get a card. That is a man who puts men to work. Before you can get a job on many of these undertakings, that is what you must do.

An hon. MEMBER: All of them.

Mr. HOMUTH: If that is not a sign that this is still a Liberal war, what more proof does the minister want? That is exactly what is going on in this country to-day.

Mr. RALSTON: My hon. friend makes that statement and I have no doubt he has

the particulars. If he will give them to me, I shall be only too glad to have them looked into at once.

Mr. HOMUTH: The matter has been taken up.

Mr. RALSTON: It has to do with my colleague, the Minister of Munitions and Supply (Mr. Howe); it is not mine. However, sitting here on behalf of the government, I want to say distinctly that I should like to have any information of that kind my hon. friend may have. There may be some instances like that. I do not know, but I want to tell him that contractors are being told that only one thing goes in connection with these contracts, namely, speed and efficiency. That is what they are told, no matter who they are.

Mr. HANSON (York-Sunbury): How long is it since that rule was in effect?

Mr. RALSTON: So far as I know, it has been in effect right along.

Mr. HANSON (York-Sunbury): I can tell my hon. friend it has not.

Mr. RALSTON: I am telling my hon. friend what I know.

Mr. HOMUTH: Right across this country, in order to get a job on certain works a man must go to the local political boss.

Mr. RALSTON: I am asking my hon. friend to give me instances and I shall look into them at once.

Mr. HOMUTH: Some of them have been given already.

Mr. RALSTON: My hon. friend is stating the case in a general way.

Mr. REID: That is not the case in British Columbia.

Mr. HOMUTH: I would not accept a denial such as that.

Mr. RALSTON: It is not a denial; I am simply asking for proof of what my hon. friend has said.

Mr. HOMUTH: I was not referring to the Minister of Finance. The fact of the matter is that this must be taking place with the knowledge at least of some of the local members.

Mr. RALSTON: My hon. friend has it down now to the local members.

Mr. McIVOR: That is not true in Fort William.

[Mr. Ralston.]

Mr. HOMUTH: The whole trouble is that every time one mentions a matter of this kind and suggests that something should be done, one minister says that that comes under so-and-so's department, while another will say that it comes under another department.

Mr. RALSTON: I said that that was a matter for my colleague, the Minister of Munitions and Supply, but that I as a member of the government would welcome any information my hon. friend could give me on that point. I did not attempt to put it off on any other minister; I asked my hon. friend to give me the information.

Mr. HOMUTH: Nevertheless I think other ministers of the cabinet ought to give publicity to the fact that no contractor who has obtained a contract from this government has to listen to the local political boss.

Mr. RALSTON: I would refer my hon. friend to a statement which was issued by our late colleague, the former Minister of National Defence, the Hon. Mr. Rogers. He said in the most emphatic words that personal or political representations of any kind would not be tolerated. That was the word he used. That statement was issued from Halifax to Vancouver.

Mr. HOMUTH: I received a copy of it, and I thought, when the minister took over the department, that the government would live up to that promise, but they have not done so.

Mr. RALSTON: I am still waiting for the evidence.

Mr. HOMUTH: The fact of the matter is that this is serious.

Mr. RALSTON: Certainly it is serious.

Mr. HOMUTH: Letters are coming to members protesting against this sort of thing. It has been brought to the attention of the government at different times and nothing has been done. It is still going on.

Mr. RALSTON: What is going on?

Mr. HOMUTH: Let me say this to the minister. A man cannot help feeling that, after all, it is the Liberal party which is carrying on the war, and that it is the Liberal party and Liberal workers that are going to get any profits out of local labour in the various constituencies. This sort of thing is going on and I want to bring it to the attention of the house. It has not been stopped. The late minister made a statement, and as a result of that I think hon. members generally kept from interfering with the department or making appeals on behalf

of any one. I have approached the department only to draw its attention to the fact that certain industries in my district could make this, that or the other article and to ask if they would be given an opportunity to tender when those articles were needed. I never once approached the department on behalf of anyone, nor did I attempt to use my influence. I think that was generally the feeling of hon. members. Word should go out from this government that the sort of thing to which I have referred will not be tolerated. Every manufacturer should be told that he himself can hire whatever help he needs. Some are not able to hire their own men; they are advised locally whom they should hire. This creates a most unfair situation.

Mr. RALSTON: I am still waiting for the particulars.

Mr. HOMUTH: The minister will get them.

Mr. HANSON (York-Sunbury): I can give a case. When the Department of National Defence wanted to rent some office space in Fredericton they were told that they must see the Liberal people, who told them to go to a certain gentleman whose name I shall not mention but who is a strong Liberal.

Mr. RALSTON: Was he an officer of the Department of National Defence?

Mr. HANSON (York-Sunbury): It was a man in the depot there.

Mr. RALSTON: A civilian in the Department of National Defence?

Mr. HANSON (York-Sunbury): No, he was a soldier. I can give the minister the name of the party to whom he applied and from whom he rented the space. He was told to go there and to go nowhere else.

Mr. RALSTON: I think Liberals generally have the idea that Liberals are pretty well disqualified.

Mr. ROWE: They are under a misapprehension.

Mr. HOMUTH: This is developing into a free-for-all, and my time is nearly up.

There are one or two other matters I should like to mention to the Minister of Finance in connection with the saving of money. We have heard a great deal said about the men who have recently been given high salaried positions in the civil service. I do not know whether these positions are necessary or whether these men are so much better qualified to do the work than somebody else would be at a lower salary, but I say to the minister that it is so easy to waste money on our civil service, and I am afraid that we are building up in this city a top-heavy civil service. It is far easier to acquire civil servants than to dispose of them, as we all know, and I am just wondering whether many of these so-called dollar a year men—I give them every credit for offering their services—are really the practical men that we ought to have doing certain things, men with a practical knowledge of industry.

Reference has also been made to Mr. Brockington. I do not know what he does or what his responsibility is, but if it is simply a matter of writing and keeping records I would suggest that surely some outstanding newspaper man might be engaged to do that work, and not necessarily a lawyer. My opinion is that we have too many lawyers running things in this country. I do not say that unkindly; I simply mean that we have not enough practical men. If Mr. Brockington's position is an absolutely necessary one to fill and he is the only man who can do the work, very well; but he gets $9,000 a year plus his per diem allowance. Now, a married man earning $1,400 a year has to pay a national defence tax of $28 a year, and if he has three children he pays only $4 a year. Therefore, it would take 2,240 of them to pay Mr. Brockington's salary out of their contributions by way of the national defence tax, and you do not have to bring into the civil service a great many men at the tremendous salary of $9,000 a year before you will have wiped out that whole classification of $4 taxpayers in this country. These are the things we must watch and guard against because, as I say, it is so easy to get a top-heavy civil service, and if we do not take care the whole thing will crumble and cripple our war effort. Surely if we did away with much of the red tape that exists in the various departments to-day, we could get along with a great many fewer civil servants than we have at the present time.

In conclusion, Mr. Speaker, apparently we are just as much unprepared for peace as we were for war. It is too late to wait until after the war is over to start to prepare for peace, and I make this suggestion. We have the Sirois report, a very important one. I have read some of the commission's recommendations and I can see in them a solution of many of our difficulties. I do not know why the government should not start in right now—not a week from now or a month from now or a year from now—to plan to take care of the problems that are going to arise at the end of the war. Perhaps a committee of this house might be appointed to go into the findings of the Sirois report and see in what way their recommendations could be

fitted into the economic life of Canada. We must do it some time, and while of course the war is the most important matter before us at the moment, almost equally important is the task of preparing for the period when the war is over so that there will not be a collapse of our economic system. If we carry out that task, and if the government will put into this war all the energy which the people expect them to put and will support them in putting into it, there is no doubt what the end will be. But we have a big job ahead, and the private member of this house has a tremendous responsibility. I suggest to the private members of the Liberal party that they go home week-ends and get the opinion of their people on the government's war effort and what they think should be done. In that way they will obtain a clearer impression of public opinion than the ministers themselves, and it is up to the private members of the Liberal party to see to it that every effort that is necessary is put forth in our war effort by the ministers who represent them on the treasury benches.

Mr. G. H. CASTLEDEN (Yorkton): It is not my intention to take up very much time, but in view of some statements that have been made in this debate with regard to the position of this group in this house I wish to repeat what our leader said this afternoon, that we have simply maintained our right to offer constructive criticism to the administration by offering amendments for the consideration of the house. We have attempted to place before parliament and the people of Canada what we consider better alternatives to the government's policy, alternatives which we believe will make possible a more effective prosecution of the war and the establishment of a better order of society hereafter. It is in that spirit that we have offered amendments to the budget.

A perusal of the budget will bring home to everyone a realization of the tremendous burden it is going to place on our economy. We must also realize that it is the natural consequence of the present industrial, economic and political organization of our country.

I find from the "Canada Year Book" that the per capita interest on our national debt was, in 1914, $1.64; in 1918, $5.87, and in 1938, $11.79. I wonder what it is going to be in 1942.

I also find from the Sirois report that about 33 per cent of our national revenue is used to pay the ordinary charges on our debt structure. We must keep constantly in mind that we have not yet paid for the last war. How long can such a condition of affairs continue? However, these are post-war problems.

[Mr. Homuth.]

It is evident to everyone that the present organization of society is doomed, and I believe this budget is one of the knells that mark its passing. It is also evident that we are undergoing tremendously rapid changes. Society, in rapidly increasing tempo, is undergoing a terrific change. The rapidity of that change is well exemplified by what has happened in Europe since parliament opened. We were united with France, and France is now out of the war. Great Britain, with Canada, stands to-day almost without an ally, but we, as the Canadian people, need have no fear what the ultimate outcome will be or as to what the Canadian people will do. The greatest concern of this parliament should be to see to it that the democratic rights of a free people weather the tempest of to-day and what may be immediately ahead of us. Another imperative duty of parliament is to see to it that we rid ourselves of the whole spirit of a profiteering world and establish instead an order of society in which there shall be no place for any institution or organization which has not the interests of humanity as the basis of its being. Our people are naturally peace-loving, loyal and patriotic; and they are industrious wherever the opportunity for industry exists, particularly so if there is a reasonable prospect that they will enjoy the fruits of their labours.

When I first came to this house I looked forward to hearing talks by some of the great reformers on the government side of whom I had heard. I remembered the addresses they had given in favour of social reform and changes in monetary policy. I recalled the views they had advanced when they first came into this chamber. They remained here for days to carry on the fight against reaction; they gave evidence before commissions; but suddenly, after about a year in parliament, they became mute, and they have maintained a most eloquent silence ever since.

In criticism of this budget I should like to make two observations. It has gone further in what I consider to be the right direction than any budget we have ever had. It has touched more deeply the pockets of those who are taking excessive profits, but the fact, evidenced by the figures which were given yesterday, is that it falls far short of what might well have been done. My greatest criticism is that it fails to protect those who are labouring in the lower income brackets. It will necessarily involve an increase in the cost of living for the many people who are on relief, for the many who at this time are hardly able to maintain themselves at even a low standard of living.

The kind of thing which I have in mind is illustrated in a letter I received to-day from

Yorkton. The writer reports that it is already clear that drought conditions in that area will reduce his crop to only forty per cent of normal. He tells me that implement companies are now repossessing implements, and adds that farmers are so short of cash that they are unable to meet the government's request for a greater war effort. Here are people struggling to do the best they can in the face of the difficulties which confront them, without hope of any return on their capital, with scarcely any expectation of receiving any of the fruits of their labour; and yet their only regret is that they cannot subscribe more funds to Canada's war effort.

To every Canadian who is willing to work there should be made available an opportunity to work. We of this group attach great importance to achieving security for those who are willing to work. When that opportunity does not exist, how can we hope to build up a great nation?

I know that western Canada was looking to this budget for some ray of hope. I fear it has found none. The only thing our people are told is that the cost of operating their farms will go up from ten to maybe twenty per cent. They hoped that some minimum price would be set for their principal commodity. Nothing of the kind has happened. They hoped that there might be an announcement of an interim payment for the wheat they delivered last year. There is no hope for them along that line. They have been looking for some assurance that agricultural assistance would be continuous and properly and adequately distributed. Again, there is no hope in that direction. I do not know what the policy of this government is with regard to agriculture, but if it is their intention to let agriculture in western Canada go, in heaven's name and in the name of common decency and humanity let them tell the people now and help them to get out. Fiddling away with relief and compelling these people to struggle along like slaves in the southern cotton fields does not make them a great people. To keep them under the lash of relief is an insult to God, to man and to the British flag.

I urge these four proposals upon the government.

First, restore the wheat board act of 1935 in its original effective form, so that it will act, as it was originally intended, as a buffer between the chaotic state of the European market and costs of production in the west.

Second, maintain some form of farm assistance legislation to take care of needy people in the event of a further calamity.

Third, let the government use the powers granted to it by the War Measures Acts. Virtually these are now the constitution of Canada, and through those powers let the people be told that there will be no further foreclosures, and that implement companies will be no longer allowed to take from these people the machinery of production without which they face nothing but the direst need.

Fourth, may I suggest that as a nation we are dependent upon world markets for our supply of wool for clothing; yet we have in the west this industry which under proper leadership could be usefully developed and protected. When I looked up the statistics I found that about six per cent of the farmers of Saskatchewan have sheep on their farms. More would be raised if the enterprise were profitable. Why cannot we build up in Canada a wool industry? Large areas of the west are better suited to the raising of sheep than the production of wheat. There would be found a source of seasonal income: the sale of wool in the spring would be a life-saver to many of our people. There would be a source from which they would obtain wool for clothing to protect them properly from the rigours of the climate. Why should that industry not be protected? If it were, this would save Canada, in relief costs alone, millions of dollars.

There is another matter which seems to me to be of vital importance, and it constitutes one of the reasons for which I rose at this time, because no other opportunity will be available to make this plea. It is my contention that the greatest natural resource, in this country of great natural resources, is the ability and the brains of its youth. Unfortunately, like our other resources, they are largely wasted. The lack of compulsory education for large numbers of the people marks Canada as a benighted nation.

A rapidly changing world requires rapid changes in the reorganization of our society. Technical education has become essential in an economy which has changed from manufacture by hand to manufacture by machine, and I urge upon this government, even at this time of crisis, that they earmark, say one-tenth of one per cent of the money receivable under this budget to establish throughout Canada a system of federal scholarships. In this respect Canada is away behind the rest of the world. In New Zealand, I believe 70 per cent of the students in the universities are there because they got government assistance in the form of scholarships. I know of no other great country in the world which falls so far behind in this field as does Canada. This is a federal responsibility, a national responsibility. It is the development of the brains and ability of our youth that we need. In the way of technical training, I suggest that supplies of interest-free money should be made

available to every district in Canada where it is needed, to set up and equip technical schools to train our youth. Many of them may not be particularly well adapted to academic training, but they could undergo technical training. What a difference it would have made to our war effort if we had had technically trained men and women! Canada is far behind, and I hope that some day soon the government will take this matter into consideration. The people of Canada want it and they will support it.

There is another group of people who have been forgotten. If you want to take up the cause of humanity you can find cause in any province, but one class who are forgotten are the fishermen both in the maritimes and in British Columbia, as I understand from some hon. members who spoke the other day. About 40,000 fishermen make their living out of this industry in the maritimes. The Sirois report, at page 51 of appendix 3, states that there is a lack of statistical information, and decennial figures on this industry. I notice, however, from table IIIC in that book that in 1926 the income from the fishing industry in Nova Scotia was 6·83 millions; in 1932 it had fallen to 2·02 millions, and in 1936 it had barely recovered to 3·66 millions.

An hon. MEMBER: What was it last year?

Mr. CASTLEDEN: The figures are not given in the Sirois report and I have not been able to obtain them, but I do know from other reports of investigations made, by the St. Francis Xavier institute, that many fishermen have an annual income of only from $200 to $600 per family. They have their gear in the water and often storms carry away 40 per cent of their equipment. This budget means an increase in the cost of such equipment. What sort of standard of living will those people have? How does it compare with the standard of those fortunate shareholders in the thirty-three companies we heard of yesterday, who, as a whole, will enjoy a return of about 14 per cent on the capital invested? Surely in such times as these it is our duty to make it possible for these people to have a decent standard of living. Poverty and want should be unknown in Canada. You cannot develop a great people in slums and amidst poverty. That is where subversive activities and crime begin. People are inherently good.

Someone the other day told us about co-operation, and the relationship between industry and humanity. I have often wanted to read such a book. A few more months here and I shall be able to write one, a book about what industry does to humanity. It seems to me that humanity is forgotten. Read the price spreads commission's report and you will find someone saying, "Well, our factory was not built to the glory of God."

What we need more than anything else is planned internal economy. Now is the time to get together and study what is likely to happen after this war is over. We may not be sure of many things but of one thing we can be certain, and that is that the world will never be the same. The whole set-up, the whole organization of society throughout the world, the whole method of production will change. In the chaos resulting from the disorganization Canada can make a tremendous contribution in aid of humanity. Already we find famine, disease and death, the by-products of war, stalking Europe. We can say with certainty that millions of people who are living there will suffer a terrible death from famine. That must follow naturally the chaos that now exists in Europe. Why cannot Canada accept responsibility as one of the humane nations of the world? We should be preparing vast stores of products of field, forest and sea. These industries should be organized. There should not be a farm in Canada not producing to the utmost capacity, not one factory that is not working day and night.

The responsibility that rests on the shoulders of the Canadian people to-day is greater than any of us realize at this time, and, Mr. Speaker, the Canadian people are sick of the inertia shown in Ottawa. In one of the cities in my constituency the young men drill twice a week in their civilian clothes, taking physical exercise in order to get into condition so that, if and when things are organized, they will be ready to don the uniform and play their part in protecting democracy. The Canadian people are begging to be allowed to play their part.

Let us hear no more talk of scarcity in Canada. There should be no such thing. What is stopping us? I do not know of anything other than the present organization of society and of industry—interlocking directorates holding financial companies and corporations which maintain their control over the industrial life of the country, over its natural resources, over the production and distribution of goods; and until that is broken there will be poverty in Canada. Canada is faced with a tremendous responsibility as well as with the greatest opportunity that ever presented itself to a democratic people, and the fate of Canada if not of the British empire rests upon the shoulders of the present administration.

Mr. J. R. MacNICOL (Davenport): At least I can claim some credit for trying to assist in having this debate curtailed by yielding last Tuesday to my leader who, I thought, made an excellent and earnest suggestion with a view to winding up the debate. It is not my intention to speak for more than a few minutes, seeing that the desire is to have the vote taken before six o'clock.

In my remarks on Friday last I intimated at the outset that I did not intend in any way to discuss the financial proposals of the budget, nor do I intend to do so now. I did say, however, that I should like to offer two proposals to the government. One of these I shall elaborate at greater length than I did on Friday night. In my judgment the time has come for the government to establish a national iron policy so that an ample supply of iron will be produced in Canada for the manufacture of steel munitions, planes, tanks, guns, bombs, shells and steel for ships. I felt that if the government did undertake such a policy, in the working of it out some new-found money would find its way into the treasury. That I will explain as I go along.

As far as taxes are concerned, the people of Canada will gladly pay any taxes that are required. They will grit their teeth and pull in their belts to the sixth notch, one for each of the nazi columns and one for good measure. But they do want action; the country wants the government to get on with the war. One might ask whether Isaiah the prophet foresaw these late times when he wrote the seventeenth verse in his fifty-fourth chapter, that "No weapon that is formed against thee shall prosper." I hope that I shall not be deemed sacrilegious if I paraphrase and modernize that, by saying that to-day there is only one nation in this world that is ready to shed and is at present shedding its blood and giving its treasure for what Isaiah meant when he wrote those words, namely, that no weapon that is formed against God's church could prosper. I say that no weapon that is formed to-day against the British empire will defeat it. I would say that still more firmly if I felt that this country was in a position—and it can soon get into a position—to produce the iron requirements that will later be wrought into steel to overwhelm Germany with planes and tanks, bombs and shells, and guns and ships. If we do our part in getting this country into shape so that it can produce the necessary iron to make these munitions—and that is the only matter I am going to speak about—then we certainly shall win the war, that is if we back up the efforts of our men, with the spirit in the heroic words that the Right Hon. Winston Churchill spoke recently to encourage us:

> Let us therefore brace ourselves to our duty, and so bear ourselves that if the British commonwealth and empire last for a thousand years men will still say, This was their finest hour.

With that spirit in our men, no weapon that is formed against the British empire shall prosper.

We have in our country all of the major natural resources, metallic and non-metallic, sufficient to swamp Germany all along the line in any avenue in which we have to fight. We have nickel, more than any nation in the world, more than all the nations of the world put together, and nickel is essential to toughen and harden steel. We have asbestos for lining the compartments of the tanks in which the soldiers are housed. We have lead, mica, zinc, copper, all of which are required for munitions and electrical equipment; we have iron, we have gold the basis of money; we have coal and electricity, and the oil required to propel tanks and planes. All these we have in abundance. All we have to do is to put them together to make the munitions required to win the war.

I said that we have the world's supply of nickel. In 1938 we produced 1,100,000 tons, while all the rest of the world combined produced only 115,000 tons. I hope that from now to the end of this war the government will prevent the export of nickel to any potential enemy as well as any enemy. Without nickel they cannot make steel that will stand up. We control practically all the nickel in the world, and I hope that after the war no potential enemy will ever receive a pound of Canadian nickel. It is tragic to think of Germany receiving the nickel they did receive from this country during the past few years, without which they could not have built a tank that would stand anything.

We also have most of the world's supply of asbestos. Two important natural resources that we have not are rubber and bauxite, but we obtain them from other British dominions that have a large supply. I believe the British empire controls the world's supply of rubber; and of bauxite, the basis of alumina from which aluminum is made, the British empire controls about half the world's supply.

I think I ought to say a word as to what we did in processing these materials. In 1938 we manufactured the following quantities: Nickel, 1,100,000 tons; asbestos, 400,000 tons; and the rest of the world, only 200,000 tons. Of lead, from which bullets are made, we

manufactured 300,000 tons. Of mica we manufactured only 1,000 tons, but mica being a very light substance, 1,000 tons is a vast quantity. We manufactured 200,000 tons of zinc, a very important war metal, and 300,000 tons of copper, without which modern war could not be fought. Of gold we produced 4,500,000 fine ounces; of coal, 15,000,000 tons, and that should be doubled. I shall not take time now to elaborate a national coal policy, but we should have such a policy; if we had Canada would not be importing 15,000,000 tons of coal while producing only 15,000,000 tons at home. We develop 8,000,000 horsepower of electricity and could produce many millions more, I believe we have in this country undeveloped not less than 50,000,000 horse-power. We produced 7,000,000 barrels of oil, and I often ask myself why some effort is not made to pipe the oil from Alberta to the Pacific. They have any amount of oil in Alberta, and are not producing it because they lack a market.

Mr. RALSTON: Let me say at that point that what we are endeavouring to do is to find out what the productive capacity of the Alberta oil fields is and whether the deposits would justify the building of such a pipe line. It is a matter that has had intense study for a year, not just something under consideration.

Mr. MacNICOL: I am glad to hear the minister say that, and I hope, when the studies are completed, an effort will be made to produce more oil in Alberta and get it to the water where it can be transported in ships.

Of rubber we manufactured in Canada last year some forty thousand tons, most of which came from other parts of the British empire.

In this review of what we have produced in Canada I deliberately left out iron, because I am one of those who are sorry that this country is not developing its vast iron resources. Some of those iron resources I know require to be either sintered or roasted to make the ore suitable for smelting, but we have not less than a billion tons in sight in this country, yet in 1938 Canada did not produce one ton. Every ton used in the country was imported. How can we win this war without iron to make the steel for ships, bombs, shells and so forth. It was, I believe, in 1937 I made a special trip to Germany to study there many of their activities under their department of industry, one of which was their iron policy, and I firmly believe that this country also should have a department of industry, but time will not permit me to elaborate on that. I found them importing ten million tons of iron a year. They had some nineteen thousand men engaged under the department of industry in exploring and recovering all the iron possible from refuse dumps, old and supposedly defunct mines, and other sources of iron in Germany, laying up a supply against the time that they foresaw, namely the present war, when they anticipated that their sources of supply in Norway and Spain might be cut off. If the United States prevented the export of iron ore to this dominion; if the transportation of iron ore from Newfoundland was interfered with, we would have no way of prosecuting the war. So I maintain that this country should initiate a national policy of iron production as promptly as possible.

Before going to Germany I made a thorough survey of all the mines in Canada that might be used for the production of iron. Perhaps some hon. members will remember that in 1937 or 1938 I suggested that something be done to encourage the production of iron ore in northern Ontario. At that time I urged, as I urge again, that a bonus be given on each ton of merchantable iron produced from our ore. At that time this government refused to have any part of that idea, but to its credit the Ontario government accepted the challenge and passed legislation providing a bonus of $1 a ton, which was later increased to $2 a ton, for merchantable iron produced in Ontario. I maintain that we could establish a national policy of iron production in Canada that would be a revenue producer instead of costing the country anything.

I am happy to say that the Ontario government has had splendid results from its initial efforts to create such a policy in this province. I was glad to hear recently that the New Helen mines in the Algoma district which were opened in 1939 are now producing 1,500 tons of iron a day which, after sintering and smelting, amounts to 750 tons of finished, merchantable iron a day. But we must increase that very greatly. I can see no reason why this government, if it made a real effort to provide the necessary iron required by the country to make munitions, could not within a short time increase the production of iron ore in Canada to 10,000,000 tons a year. What would that cost? Ten million tons a year delivered at the blast furnaces at Sault Ste. Marie, Port Colborne or Hamilton, at $5 a ton, would be worth $50,000,000; but when turned into steel it would be worth $300,000,000. In other words, by the development of 10,000,000 tons of raw iron ore finished into steel, we would add to the national wealth of this country not less than $250,000,000 a year.

The Ontario government has granted a bonus of $2 a ton. If that bonus were increased to $3 a ton, and each government shared half, it would cost each government

$1.50 a ton; it would give such an incentive to the New Helen mines in Algoma that instead of producing 1,500 tons of ore a day, they might produce 10,000 tons a day. It would also bring to production the Moose Mountain iron mines as well as the Steep Rock mines, which latter I believe are located in the constituency of the hon. member for Fort William (Mr. McIvor). I am told that the iron ore produced at Steep Rock is the same quality of hematite iron produced in Minnesota from the Mesaba range. The iron produced at the New Helen mines, after sintering, possesses 53·4 per cent of iron and 3 per cent of manganese, a very good grade of iron. That is the sort of thing we require in this country.

Such a policy as I have suggested might also result in the construction of three more blast furnaces, which would be all to the good. If one furnace were built on the St. Lawrence river between Kingston and Cornwall, it could use Nova Scotia coal. If a blast furnace were built in Toronto, it could use Nova Scotia coal also. I believe the blast furnace at Ojibway, near Windsor, which is not now in operation, would have to use coal from the nearby western states, but in a national policy of iron production I can see jobs for not less than 50,000 men and an annual increase of $250,000,000 in the national wealth of this dominion.

That, Mr. Speaker, is worth while going after. If this government would split a bonus of $3 a ton of merchantable iron with the Ontario government, it would mean that the provincial government would save fifty cents a ton on its present bonus while this government would be out only $1.50 which, on 10,000,000 tons of ore reduced to 5,000,000 tons of merchantable iron, would amount to only $7,500,000. But by the production of 5,000,000 tons of iron made into steel the government would obtain $65,000,000 in taxes, which would mean about $57,500,000 in new money for the treasury.

I see I am near the end of the period of time I intended to speak, so I shall conclude by again appealing to the government to establish a national iron policy for Canada with the objective of producing sufficient iron in this country to be turned into steel with which to manufacture clouds of planes, thousands of tanks, thousands of guns and millions of shells and bombs. With that quantity of material we can force Germany into submission. I believe it was the Prophet Daniel who said:

. . . iron breaketh in pieces and subdueth all things. . . .

So let the government bring in a national iron policy, which will provide a great many new jobs, bring new money to the treasury, add to the national wealth, and assist the British empire in subduing Hitler.

Mr. W. F. KUHL (Jasper-Edson): Mr. Speaker, no group in this house is more anxious to deal expeditiously with the legislation brought before us than the group with which I am associated. Personaly, however, I fail to see any reason for haste at this time. As my leader said on a previous occasion, at that time, as is the situation at present, the government possessed all the power it needed to do anything that might be thought desirable. It has authority to raise almost $1,500,000,000; it has authority to deal with industry and with almost every other aspect of our national life. Consequently I fail to see any real reason for haste. However, I do not intend to occupy very much of the time of the house this afternoon.

I should like to say a few words on the subject of ways and means of raising money with which to finance Canada's war effort as well as to meet domestic problems. In war time the word we hear used most frequently is undoubtedly the word "sacrifice". I believe that what the people of Canada have accepted at the hands of the government which has been charged with the responsibility of carrying on the affairs of this country for the last ten years is proof positive that the Canadian people are willing to bear almost any burden and accept almost any sacrifice. Members of the house, particularly members of the Liberal and Conservative parties, have stated repeatedly that the people of Canada are glad and willing to bear the added tax burdens which have been imposed by this budget. I quite agree with that in so far as the tax burdens are essential and necessary. There are no people more willing and ready to make necessary sacrifices than the Canadian people. But I am persuaded that most if not all of the sacrifices which the Canadian public are called upon to make by this budget are absolutely unnecessary.

There are two reasons why the people are accepting these tax burdens without saying a great deal about them. In the first place I believe that they have been misled into the belief that these taxes are a necessary evil. Through the process of time we have educated our people to believe a host of things with regard to money, taxation and debt which are positively false and untrue. I feel sure that if the people were aware of the true facts in connection with money, debt and taxation, they would not acquiesce as readily as they

seem to do. Furthermore, the people are silent over these impositions because they fear that if they express any resentment they will be charged with being pro-nazi or anti-British. Consequently, most of them say nothing with regard to these increased tax burdens.

As I have stated, I am quite prepared, and I am sure all are quite prepared, to support any legislation which calls for necessary sacrifices, but I cannot be persuaded that the sacrifices asked of our people, particularly the small wage-earners, are essential at this time. If the people at home could be persuaded that the eating of three square meals a day would deny the soldiers at the front what they required, then there would be no complaint against making a sacrifice along those lines. If our continued consumption of normal amounts of food, clothing and other materials meant that our soldiers would have to go without or would be denied in some way, then I know everyone would submit to a lower standard of living. But most people know that is not the case. Time and again members of this house, particularly of the Conservative party, have risen in their places and bemoaned the fact that we have no market for our fruits, our vegetables, our dairy products, et cetera. It surely must be apparent to all that we have the physical materials sufficient to take care, not only of our soldiers and all those on active service, but of all our people at home. If we were actually short of food, clothing, shelter and other materials, then there would be a reason for asking the people to curtail their needs still more. But statistics and simple observation indicate that even in war time the people of Canada should have a decent standard of living.

A high standard of living is possible in this country even though we are involved in a war. No one will deny that we have sufficient to provide a high standard of living for all our citizens and still take care of our war requirements. We still have idle labour and idle resources. So long as those two conditions obtain, according to my conception of logic and common sense there is no reason for poverty or distress or reduced incomes in Canada. As the Minister of Finance (Mr. Ralston) indicated, the only limit to carrying on our war effort and taking care of our domestic requirements is the amount of materials which exist in this country. So long as we have sufficient there is absolutely no reason why a high standard of living should not be maintained for all.

I see absolutely no reason for taxation for purposes of revenue. That may sound fantastic, but that is my belief. For years we have been taught to believe certain falsehoods with regard to taxation, money and debt. I see no reason why a government which has the authority and the right to create the medium of exchange should have to levy taxation for purposes of revenue. The people of Canada do their share when they provide the energy, when they ply their hands to the development and processing of raw materials and to the production of primary products. Those who work in our banking institutions have done the necessary work in connection with our financial system when they complete the required bookkeeping and other services. Physically there at all times is a complete balance in our economic system. The only function of a government in connection with money should be to issue what the people require. At the present time that is not being done. Our government does not control our money system. It is not exercising the authority it possesses.

The government should be not only the creator and issuer of coins and paper, but the creator and issuer of all money. At the present time private individuals are permitted to manufacture and issue over ninety per cent of our medium of exchange. They are permitted to issue this according to their own policy. I consider that a capital crime. That right should be exercised by the government and by the government alone, and it should be exercised in accordance with the needs of the people. The Minister of Finance has stated that the only limits which apply are physical, mental and moral. I agree with that. If that is true, then why should there be any debt in Canada? The people collectively provide all the energy necessary to produce and process the materials required for food, clothing and shelter. The people who work in our banking institutions do all the clerking and bookkeeping necessary. All the physical costs are provided at all times as our system is conducted. Why, then, should there be any debt after this work has been performed, because everything has been paid for? The only cost involved in any kind of enterprise is physical materials and human energy, and if that is provided, the bills are paid for. Therefore, why should there be any debt in Canada. I see absolutely no reason for it; it is purely fictitious. That applies to financing the war as well.

We have frequently heard it stated that the last war is not yet paid for. I contend that the last war has been paid for. It was paid for in shot and shell, in human life and in misery and suffering. Canada's part in the last war was paid for on the day that peace was concluded. All the costs were then met, and consequently there should not be any left over now. What do we owe after we have

provided all the real costs? The same thing holds true of our present war effort. Why should there be any debt in the conduct of Canada's part in this war after all the physical requirements have been met? The only reason is that the government is not exercising its most sacred prerogative of creating and issuing the medium of exchange. It has allowed and is still allowing private individuals to exercise the most sacred prerogative which the government can exercise, and consequently the government must borrow from private individuals and place upon the people a perpetual debt equivalent to the principal and compounded interest.

A great deal of fear and alarm has been expressed at times in this house over fifth column activities. I would not for a moment minimize the possible danger from fifth column activities. There is no crime more base or wicked than treachery against the country of one's birth or adoption. But I feel that this budget will be far more disastrous in its consequences to the people of Canada than any so-called fifth column activities. This budget will reach into every home and every pocket-book in the dominion. The saboteur might dislocate a power plant or some other vital point, but his crimes are localized, while this budget will affect every income and every pocket-book in Canada. In my opinion, fifth column activities had been at work in this country long before the war broke out, and as has been already suggested from this corner, when it comes to dealing with saboteurs we ought to deal with the really great saboteurs of this nation's war effort as well as of its peace-time effort.

In conclusion, may I summarize my reasons for opposing this budget. I oppose it because it demands of the common people of Canada absolutely unnecessary and unjustifiable sacrifices.

It will reduce unnecessarily the already too low standard of living of the masses of the people to still lower levels.

It will aggravate rather than improve the already serious problems of farmer producers.

It will decrease rather than increase the home market for our own products.

It will demoralize and weaken our people at a time when their health should be improved and their vitality and vigour be increased.

It will fasten the shackles of debt and interest still more securely upon the people of to-day as well as upon the unborn generations of to-morrow.

It will tighten still more the stranglehold which the financial oligarchy already has upon our nation, and the inevitable consequence will be the complete destruction of democracy in Canada and the establishment of a complete financial dictatorship.

Finally, the sum total of all these consequences is that this budget will make Canada more vulnerable to an attack from the enemy than any other action that has been taken in this country.

Those are my candid opinions with respect to this budget, and consequently I would term it a national suicide budget. That is a very strong term but I really believe it fits the case. It is the type of budget which has brought France to the place where she is to-day, and therefore I can think of no term that more adequately describes this budget.

As a last word I would ask why it is that the government continues to pursue policies such as are involved in this budget which are obviously suicidal. I have asked myself that question many times. When it is so obvious that conditions could hardly be more terrible, why is it that the government continues to pursue such suicidal policies? The only answer I can find is that they choose to take their orders from St. James street or Wall street or Threadneedle street or whatever it is, rather than from the people of Canada. In 1935 the Liberal party was given a mandate to restore to parliament its most sacred prerogative and exercise it in the interest of the people, that of creating and issuing the medium of exchange in accordance with the needs of the people. I contend that that trust has been and is still being betrayed to-day. Canada will never make her most effective contribution to the empire's war effort, nor will she ever be able to defend herself to the maximum until the principle of the amendment which my group has moved is adopted, and that principle is:

> This house is of the opinion that there should have been no increased tax burden placed upon the consumer until Canada attained maximum production of desired commodities or full employment by issuing, through the Bank of Canada, currency and credit in terms of actual public need.

Mr. W. R. AYLESWORTH (Frontenac-Addington): Mr. Speaker, in rising to speak in the budget debate, I would remind the house that the city of Kingston is the county town of the county of Frontenac, which comprises part of the riding of Frontenac-Addington, which I have the honour to represent in this house.

The city of Kingston at the present time is not represented in this parliament as the result of the sudden and tragic death of the Hon. Norman McLeod Rogers. Some three weeks ago the people of Kingston and the county of Frontenac, irrespective of their

political colour, attended a memorial service held in the memorial hall at the city buildings, and paid their respects and tribute to the late Minister of National Defence. The government was represented at the service by the hon. Minister of Pensions and National Health (Mr. Mackenzie), who read a letter from the right hon. the Prime Minister (Mr. Mackenzie King) paying his tribute to his late colleague and friend.

The people of Frontenac-Addington have had the war brought home to them more closely than most rural ridings because Kingston is a military centre. Being at home over the week-ends, particularly since the budget was brought down by the Minister of Finance (Mr. Ralston), I have had an opportunity of speaking with many of my constituents and also with some of the citizens of Kingston whose confidence I enjoy. I feel that I do not overstate the fact when I say, if I might be allowed to speak on behalf of the people of Kingston as well as for my own constituents, that any increase in taxation will be paid cheerfully by the people of Kingston and Frontenac-Addington as their contribution to Canada's effort in buying war materials, equipping her soldiers and giving the best we can to protect those who have enlisted with the Canadian active service force in order to do their share in the protection of Canada and the motherland. All Canadians must face a very difficult task. During the past three years we have not put forth enough energy and action toward getting Canada into a position to defend herself, should the need arise; nor have we been able to do as much as we should have done for Great Britain and France. Our first line of defence was Great Britain and France; now it is Great Britain alone.

The unexpected and disastrous capitulation of France to a force so overwhelming that courage and bravery could not resist, makes us face a reality that challenges us to do our best. As I said, it makes us face a reality, one part of which is that Great Britain looks, and will continue to look, to Canada, to make available not only the food supplies for her army but also those for her civilian population, which demand is greater by far than the resources of Great Britain.

In peace time the lifeblood of Great Britain has been trade. In war time, export of goods from Great Britain is her fourth arm of defence. Great Britain must have money from the sale of her manufactured products, so that she can buy foodstuffs to feed herself, because she cannot possibly produce enough foodstuffs for her own requirements. Each of us must do his utmost to serve Canada and Great Britain in this war effort.

[Mr. Aylesworth.]

The biggest problem facing the country to-day is the problem of winning the war. True, that is the problem, but we have been told for years that an army marches on its stomach. Therefore, the problem of producing food is as important as the problem of producing soldiers. Without the farms we cannot have the soldiers, and a government which neglects the farmers in times of peace and war is a government which is betraying the people it has been elected to govern. I maintain that this government has neglected Canada by its actions towards the Canadian farmer and live stock interests. There is nothing in the budget which is of any help to the farmer; the live stock industry is ignored. Farmers and live stock producers of Canada are the most valued assets that this country has and their welfare has been totally neglected by this government. The fact that the British empire trade agreements have been changed is well known; that this has been a distinct loss to the Canadian farmer cannot be denied. The home market which is worth only $32,000,000 to the wheat farmer is worth $273,000,000 to the Canadian dairyman and live stock producer, and this home market was neglected by the trade agreements of this government.

Last year 26,608,040 pounds of dressed pork were imported into Canada from the United States. So far this year we find that 28,500,000 pounds have been imported. The most important fact in this connection is that Canada is facing a critical situation in her hog industry. It is going to be difficult indeed to find a market for our surplus production of pork products. Including the bacon already stored—under instructions from the bacon board—the nearest estimate I can get is that between now and October 31, Canada will have a surplus of 60,000 hogs per week. In other words, between now and October 31 we must find a market not now in sight for an additional 10,000 hogs per week. Only two possible markets exist. One is England. When Denmark was invaded we took it for granted that England would at once require all the bacon Canada could ship. But the English Ministry of Food has stated that they do not require more than 50,000 hogs weekly. This statement has been repeated even since the invasion of Belgium and Holland. The most serious phase of this repeated statement is that, beginning with November, we shall have a surplus, not of 50,000 hogs weekly, but of nearly 100,000 hogs weekly. At this rate, by the end of the year we shall have a surplus of over 220,000 hogs in cold storage, with no market in sight. I submit that these figures should receive careful consideration by the hon. Minister of Agriculture (Mr. Gardiner).

The government must take the responsibility for any surplus in the hog market, keeping in mind the imports from the United States and the fact that ever since this government came into power members of parliament have urged the farmers to raise more and more hogs. The farmers have raised more hogs, and now they find that they are not getting back the cost of production.

I have here a letter which was sent out by the department and circulated throughout Canada, I presume to all the retail merchants. But I understand that the government is anxious to get through with this bill to-night, so I shall not read that communication at the present time.

The cost of feed for hogs has been higher than the price received for them. There is no profit in raising hogs at the present time. This applies more particularly to eastern Ontario. Then, I ask, what is going to happen if the price drops? When hogs sell at eight cents a pound in normal times the farmer has great difficulty in earning a dollar. These are abnormal times and the producers of hogs are being asked to pay more and more taxes. Everything the hog producer buys to maintain his home and provide for his family will cost him more money; even the food cost for the hog is higher by twenty to thirty per cent than it was before the war. The duty of the government, now that they have encouraged the farmer to get into hog production, is to do everything possible to maintain a reasonable price.

The government has been negligent in this regard. Heavy imports of pork from the United States, on a very low price basis during the last year, is now destroying our market. I shall give the price of hogs for the last three years, during which time the U.-S. agreement was in effect:

	Per hundredweight
August 10, 1937.....	$10.50
August 10, 1938.....	9.50
August 10, 1939.....	8.25

To-day hogs are selling at $7.75 to $8 per hundred-weight.

In 1939 we imported 26,608,040 pounds of pork. I estimate that up to the end of June, 1940, we shall import 28,550,000 pounds of pork. This is double the importation of last year and the government has been slow to do anything. At the present rate, as I said before, Canada will have in cold storage at the end of this year products from 220,000 hogs. While this surplus is piling up and while we are contributing funds to Canada's war effort, I am amazed, Mr. Speaker, to find that we have been, in spite of the above-mentioned figures, using money to buy pork from the United States to feed our soldiers. Surely the Canadian market should be ours and ours alone. I say to the government, you urged us to get into the hog industry, and now I ask the government, what are you going to do:

1. To find a market for our surplus production?
2. To maintain a price that will pay the cost of production?
3. To secure for us the English market previously held by Denmark?
4. To stop the importation of cheap middle-west United States undesirable pork?
5. To reduce the heavy stock of pork products now in cold storage?

I submit that the hog raising industry is as important to the people of Canada, particularly of eastern Ontario, as is the wheat growing industry, and I would urgently request the government to take what steps are necessary to set a fair price for pork products, so that the farmer raising hogs may at least get back his costs.

I trust that in bringing the matter of hog raising and pork production to the attention of the house—it is not necessary to bring it to the attention of the country, for the reason that the farmers already realize the situation—it will be considered, not as destructive but as constructive criticism, in that an understood difficulty which must be faced often may be solved when an unexpected problem creates confusion, distress and, under present circumstances, possibly disaster.

I now come to another phase of agriculture —milk and cream, vegetable oil, garden products.

We are told that the lowest tariff would result in the great United States market being open for our milk and cream. We were happy about that; surely, we thought, 130,000,000 people will buy a great deal of milk and cream. What has been the result? An average of one 8-gallon can of milk a day shipped over, and in May of this year there were four gallons of cream exported, enough for a few family breakfasts.

With regard to vegetable oil, the government allows as much vegetable oil to come into Canada as our total products of milk and cream. We import yearly over 200 million pounds of vegetable oil at five cents and six cents a pound and it replaces our butter and lard. We produce over 200 million pounds of butter a year and could produce much more if there was a market for it. The same thing applies to lard—and through that the hog raising industry suffers.

The vegetable grower also has had to take heavy losses, owing to the lowered tariff and the shorter seasonal preference; every man in the market garden business and the fruit

farmer have had to take losses. Canada's importations in one month this year totalled $1,500,000, an increase of $500,000 over the same month of the preeding year. At the present time, with splendid crops throughout Canada, and especially Ontario, the amount of United States produce offered the public is tremendous. Surely, in time of war, when the question of exchange is also involved, some restriction on these imports would be in order. It does seem strange that we can spend $41,000,000 for imported fruits and vegetables at a time when Canadian growers have lost their export market and are called upon to face many other difficulties as a result of the war, and they feel, and rightly so, that they should have an opportunity of selling their produce on the home market without the competition of imported produce, especially at this time of the year, and when the nation's reserves must be conserved. However, since this is a $180,000,000 industry, I feel that this government should give it every consideration. So, in conclusion, Mr. Speaker, I urge the Prime Minister and the Minister of Agriculture to solve this critical problem.

Mr. E. G. HANSELL (Macleod): This is about the sixth budget to which I have spoken in my parliamentary experience, and I can assure you, Mr. Speaker, that my speech will be the shortest of any I have given on these budgets. I recall the budget of 1935. It was known as a sound-money budget. We had many problems facing us in those days—problems of unemployment, problems of relief, problems of mental distress; and I recall that the Minister of Finance of that day rose in his place and said that he was going to finance the affairs of the country with sound money and common sense. He thought that sound money and common sense would solve the problems of the day. This is now the sixth budget to which I have listened and it is also a sound money budget.

I told the Minister of Finance in 1935, after he had presented his budget, that if he were to tackle the problem of distribution from the point of view of the new economic order, that if he stood in his place and declared the old order had at last passed away and that through a new economic order he would deliver the 12,000,000 people of Canada from the grim monster of fear and insecurity and bring them to the highest standard of living which our great productive capacity could afford—that if he would do this he would go down in history as one of the greatest emancipationists of our modern age of economic slavery. What happened? That minister had to retire on account of ill health. There is no doubt in my mind that the arduous duties and responsibilities connected with such an office were partly responsible for his break-down, and in this connection I would say that the present financial system is so ruthless that it would kill its own ministers of finance. Of course, that was five years ago. Finance ministers come and finance ministers go, and now we have another. His 1940 budget is another sound money budget. He, too, has problems to face, not only problems of unemployment and relief but the problem of the great war, and the present budget is going to finance the war just as the previous great war was financed, by means of taxation and borrowings.

Some weeks ago I received, as all members did, a release from the director of public information. There is no date on it. I do not remember when it came, and in fact there is nothing on it that indicates from whence it came. It is printed in red, in large type. There is no indication where the office is or who it comes from, but here is a little paragraph I wish to read:

> The Minister of Finance has received a piece of white blotting paper with a $1 bill. On the blotting paper little Peter Wale of Portsmouth, Ontario, had written these appealing words: "I am Peter. I am five years old. I am sending you my dollar to help win the war."

As I read that, it seemed to me that little Peter Wale's name should be recorded somewhere in history, so perhaps the best thing we can do is to put his name on *Hansard*. This was a noble deed for little Peter. Of course he is only five years old, so we do not expect him to understand much about the money system. Perhaps he has a big brother who is helping to fight the Germans. Perhaps his father is a war veteran. At any rate it was a noble thing for a little boy like that to give his dollar to help win the war.

Now this is part of the government's financial policy. I do not know what the present Minister of Finance (Mr. Ralston) will be chiefly celebrated for in history, but I think we shall be remembered in history as a nation with such great potentialities of production and such short-sightedness that when we had to fight the greatest war of all time we had to take the baby's candy money to do it.

Some hon. MEMBERS: Oh, oh.

Mr. HANSELL: Of course we can expect that sort of response to such a statement, but, sir, it is true.

I wish to refer to just one other matter. The Minister of Finance in introducing his budget made a clever speech. I quote one striking statement, found at page 1011 of *Hansard:*

> For the first time in a thousand years the world has been made to realize that a new "Dark Ages" may not be the figment of a wild imagination.

In 1934 Major Douglas, who perhaps is recognized as the founder of the movement that we represent, came to Canada. He appeared before the agriculture committee of the then government of Alberta, and I believe that same year he appeared before the banking and commerce committee of this house. On his return to England a banquet was given in his honour, at which banquet he made a speech in which he used these words:

> If the present system is not changed by say 1940 civilization will go down into a state only comparable to that of the Dark Ages.

Is it not significant that in Canada's war budget speech of 1940 the Minister of Finance should unknowingly tell the nation that Major Douglas' words were on the verge of becoming a fact? The tragedy is that immediately following such a salutary statement the Minister of Finance presented a so-called "sound money" budget.

Mr. M. C. SENN (Haldimand): I assure hon. members I am not going to talk very long; in fact, five minutes will be more than sufficient for what I want to say. A question arose this afternoon between the hon. member for Waterloo South (Mr. Homuth) and the Minister of Finance (Mr. Ralston) with regard to patronage in our war effort. I want to give a very clear case, not to embarrass the government or make trouble for any of the ministers; in fact, I acquit the ministers themselves and the government of any attempt in that direction.

Mr. RALSTON: It will not embarrass the government in the slightest. I ask for it.

Mr. SENN: There are at present four airports being erected in the county I have the honour to represent. The contractors are different firms, and I am going to refer to only one airport at this time. At the time of the election, lists were prepared, as I am given to understand, of men who were promised jobs when these airports were under construction. In that way I suppose inducement was offered to voters to vote in a particular way. I visited Ottawa shortly afterwards and telephoned a certain official in the air division, and he told me that when labour lists were being prepared it was intended that they should be prepared by the local employment agency of the provincial administration, which was perfectly satisfactory to me. However, that has not been done in this particular case. As a matter of fact, the local president of the Liberal association is the man who from time to time issues recommendations and slips of recommendation for men to be employed at this particular airport.

Mr. POWER: Which airport is it?

Mr. SENN: The airport at Dunnville, Ontario. I took it on myself two or three weeks ago to go to the Minister of Munitions and Supply (Mr. Howe) and state the case to him, and he promised me at that time that he would do what he could to see that this condition was done away with. I have no doubt that he did, but I am sorry to say that it is still going on, and that no man can get a job on that airport, as I am given to understand—

Mr. POWER: May I ask if that is under contract?

Mr. SENN: It is under contract to the Dufferin Construction company, I understand. This contractor told men that have gone there time after time that he employs men only on the recommendation of a certain individual in the town of Dunnville. I have in my hand a photostat copy of one of the recommendation slips that are given from time to time. I mention this merely at the request of the minister to show what is going on there. I have had repeated protests from prominent citizens in that district in regard to this matter.

Mr. MACDONALD (Brantford City): One of your friends got a recommendation.

Mr. SENN: Yes, but he came from outside the county.

Mr. MACDONALD (Brantford City): A friend, just the same.

Mr. HANSON (York-Sunbury): That does not alter the principle.

Mr. SENN: He came from outside the county and was recommended by someone outside the county, and as far as I know he is the only man who could be said to be a friend of mine that is employed there. However, I just want to make that final statement.

Mr. POWER: I should like to get all the details and to know who the contractor is.

Mr. SENN: The Dufferin Construction company is the contractor. This situation is creating a great deal of dissatisfaction in that district, and I think is hindering recruiting. I do not want to see patronage enter into this in any respect whatever. As far as I am concerned, I have never recommended a man to any position at any of these airports, and I hope the minister will see that the situation to which I have referred is ended.

Mr. HOWE: If I may interject a remark, I would just say that that contractor, together with every other contractor, has been notified in writing that speed and efficiency are the only matters in which the government is interested; and that he has a free hand to hire whom he will.

The house divided on the amendment to the amendment (Mr. Quelch) which was negatived on the following division:

YEAS

Messrs:

Blackmore
Castleden
Coldwell
Douglas (Weyburn)
Fair
Gillis
Hansell
Hlynka
Jaques
Johnston (Bow River)
Kuhl
MacInnis
Nicholson
Nielsen (Mrs.)
Quelch
Shaw
Wright—17.

NAYS

Messrs:

Abbott
Authier
Aylesworth
Bertrand (Laurier)
Bertrand (Terrebonne)
Black (Chateauguay-Huntingdon)
Black (Cumberland)
Black (Yukon)
Blanchette
Brooks
Cardiff
Cardin
Casgrain
Casselman (Edmonton East)
Casselman (Grenville-Dundas)
Chambers
Chevrier
Claxton
Cockeram
Crerar
Crète
d'Anjou
Dechene
Desmond
Diefenbaker
Donnelly
Douglas (Queens)
Dubois
Dubuc
Dupuis
Durocher
Edwards
Emmerson
Esling
Evans
Farquhar
Ferron
Fleming
Fontaine
Fournier (Hull)
Fraser (Peterborough West)
Fulford
Furniss
Gardiner
Gauthier
Gershaw
Gibson
Gingues
Gladstone
Golding
Graham
Gray
Graydon
Green
Hanson (Skeena)
Hanson (York-Sunbury)
Harris (Danforth)
Healy
Henderson
Homuth
Howe
Hurtubise
Ilsley
Isnor
Jackman
Jean
Johnston (London)
Jutras
King, Mackenzie
Kirk
Laflamme
Lafontaine
Lapointe (Lotbinière)
Leader
Little
Lizotte
McCann
McCubbin
McCulloch
MacDiarmid
Macdonald (Brantford City)
Macdonald (Halifax)
McDonald (Pontiac)
MacGarry
McGeer
McGibbon
McGregor
McIlraith
McIvor
MacKenzie (Lambton-Kent)
MacKenzie (Neepawa)
Mackenzie (Vancouver Centre)
MacKinnon (Edmonton West)
McKinnon (Kenora-Rainy River)
MacKinnon (Kootenay East)
McLarty
MacLean (Cape Breton North-Victoria)
McLean (Simcoe East)
Macmillan
MacNicol
Marier
Matthews
Maybank
Mayhew
Michaud
Mulock
Mutch
Neill
Nixon
O'Neill
Perley
Picard
Pinard
Poirier
Pottier
Power
Ralston
Reid
Rennie
Rhéaume
Roebuck
Ross (Calgary East)
Ross (Middlesex East)
Ross (Moose Jaw)
Ross (St. Paul's)
Ross (Souris)
Roy
Ryan
Sanderson
Senn
Sissons
Slaght
Soper
Stirling
Taylor
Telford
Thauvette
Thorson
Tomlinson
Turgeon
Turner
Tustin
Vien
Ward
Warren
Weir
White
Whitman
Winkler—149.

PAIRS

(The list of pairs is furnished by the chief whips.)

Messrs:

Marshall — Leger

Mr. MARSHALL: I was paired with the hon. member for Kent, N.B. (Mr. Leger). Had I voted, I would have voted for the amendment to the amendment.

The house divided on the amendment (Mr. Coldwell) which was negatived on the following division:

YEAS

Messrs:

Aylesworth
Black (Cumberland)
Black (Yukon)
Blackmore
Brooks
Cardiff
Casselman (Grenville-Dundas)
Castleden
Cockeram
Coldwell
Desmond
Diefenbaker
Douglas (Weyburn)
Esling
Fair
Fraser (Peterborough West)
Gillis
Green
Hansell
Hanson (York-Sunbury)
Harris (Danforth)
Hatfield
Hlynka
Homuth
Jackman
Jaques
Johnston (Bow River)
Kuhl
McGregor
MacInnis
MacKinnon (Kootenay East)
MacNicol
Nicholson
Nielsen (Mrs.)
Perley
Quelch
Ross (St. Paul's)
Ross (Souris)
Roy
Senn
Shaw
Stirling
Tustin
White
Wright—45.

NAYS

Messrs:

Abbott
Authier
Bertrand (Laurier)
Bertrand (Terrebonne)
Black (Chateauguay-Huntingdon)
Blanchette
Cardin
Casgrain
Casselman (Edmonton East)
Chambers
Chevrier
Claxton
Crerar
Crète
d'Anjou
Dechene
Donnelly
Douglas (Queens)
Dubois
Dubuc
Dupuis
Durocher
Edwards
Emmerson
Evans
Farquhar
Ferron
Fleming
Fontaine
Fournier (Hull)
Fulford
Furniss
Gardiner
Gauthier
Gershaw
Gibson
Gingues
Gladstone
Golding
Graham
Gray
Hanson (Skeena)
Healy
Henderson
Howden
Hurtubise
Ilsley
Isnor
Jean
Johnston (London)
Jutras
King, Mackenzie
Kirk
Laflamme
Lafontaine
Lapointe (Lotbinière)
Leader
Little
Lizotte
McCann
McCubbin
McCulloch
MacDiarmid
Macdonald (Brantford City)
Macdonald (Halifax)
McDonald (Pontiac)
MacGarry
McGeer
McGibbon
McIlraith
McIvor
MacKenzie (Lambton-Kent)
MacKenzie (Neepawa)
Mackenzie (Vancouver Centre)
MacKinnon (Edmonton West)
McKinnon (Kenora-Rainy River)
McLarty
MacLean (Cape Breton North-Victoria)
McLean (Simcoe East)
Macmillan
Marier
Matthews
Maybank
Mayhew
Michaud
Mulock
Mutch
Neill
Nixon
O'Neill
Picard
Pinard
Poirier
Pottier
Power
Ralston
Reid
Rennie
Rhéaume
Roebuck
Ross (Calgary East)
Ross (Middlesex East)
Ross (Moose Jaw)
Ryan
Sanderson
Sissons
Slaght
Soper
Taylor
Telford
Thauvette
Thorson
Tomlinson
Turgeon
Turner
Vien
Ward
Warren
Weir
Whitman
Winkler—121.

PAIRS

(The list of pairs is furnished by the chief whips.)

Messrs:

Marshall	Leger
Graydon	McNevin (Victoria, Ont.)
Stokes	Davidson

Mr. GRAYDON: I was paired with the hon. member for Victoria, Ont. (Mr. McNevin). Had I voted, I would have voted for the amendment.

Mr. MARSHALL: I was paired with the hon. member for Kent, N.B. (Mr. Leger). Had I voted, I would have voted for the amendment.

The house divided on the main motion (Mr. Ralston) which was agreed to on the following division:

YEAS

Messrs:

Abbott
Authier
Aylesworth
Bertrand (Laurier)
Bertrand (Terrebonne)
Black (Chateauguay-Huntingdon)
Black (Cumberland)
Black (Yukon)
Blanchette
Brooks
Cardiff
Cardin
Casgrain
Casselman (Edmonton East)
Casselman (Grenville-Dundas)
Chambers
Chevrier
Claxton
Cockeram
Crerar
Crète
d'Anjou
Dechene
Desmond
Diefenbaker
Donnelly
Douglas (Queens)
Dubois
Dubuc
Dupuis
Durocher
Edwards
Emmerson
Esling
Evans
Farquhar
Ferron
Fleming
Fontaine
Fournier (Hull)
Fraser (Peterborough West)
Fulford
Furniss
Gardiner
Gauthier
Gershaw
Gibson
Gingues
Gladstone
Golding
Goulet
Graham
Gray
Graydon
Green
Hanson (Skeena)
Hanson (York-Sunbury)
Harris (Danforth)
Hatfield
Healy
Henderson
Homuth
Howe
Hurtubise
Ilsley
Isnor
Jackman
Jean
Johnston (London)
Jutras
King, Mackenzie
Kirk
Laflamme
Lafontaine
Lapointe (Lotbinière)
Leader
Little
Lizotte
McCann
McCubbin
McCulloch
MacDiarmid
Macdonald (Brantford City)
Macdonald (Halifax)
McDonald (Pontiac)
MacGarry
McGeer
McGibbon

McGregor	Power
McIlraith	Ralston
McIvor	Reid
MacKenzie (Lambton-Kent)	Rennie
MacKenzie (Neepawa)	Rhéaume
Mackenzie (Vancouver Centre)	Roebuck
MacKinnon (Edmonton West)	Ross (Calgary East)
McKinnon (Kenora-Rainy River)	Ross (Middlesex East)
MacKinnon (Kootenay East)	Ross (Moose Jaw)
McLarty	Ross (St. Paul's)
MacLean (Cape Breton North-Victoria)	Ross (Souris)
McLean (Simcoe East)	Roy
Macmillan	Ryan
MacNicol	Sanderson
Marier	Senn
Matthews	Sissons
Maybank	Slaght
Mayhew	Soper
Michaud	Stirling
Mulock	Taylor
Mutch	Telford
Neill	Thauvette
Nixon	Thorson
O'Neill	Tomlinson
Perley	Turgeon
Picard	Turner
Pinard	Tustin
Poirier	Vien
Pottier	Ward
	Warren
	Weir
	White
	Whitman
	Winkler—151.

NAYS

Messrs:

Blackmore	Johnston (Bow River)
Castleden	Kuhl
Coldwell	MacInnis
Douglas (Weyburn)	Nicholson
Fair	Nielsen (Mrs.)
Gillis	Quelch
Hansell	Shaw
Hlynka	Wright—17.
Jaques	

Mr. MARSHALL: I was paired with the hon. member for Kent, (Mr. Leger). Had I voted, I would have voted against the motion.

WAYS AND MEANS

The house in committee of ways and means, Mr. Vien in the chair.

Progress reported.

On motion of Mr. Mackenzie King the house adjourned at 6.30 p.m.

Monday, July 8, 1940

The house met at three o'clock.

THE MINISTRY

CABINET CHANGES—REVIEW OF THE WAR ORGANIZATION OF THE GOVERNMENT

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, the house is expecting from me to-day a statement with respect to matters pertaining to the cabinet. I have thought that the occasion would be opportune to review the war organization of the government as a whole, inasmuch as it is impossible, in considering matters of advice to the ministry, to separate from its relation to the cabinet itself, which has to do with the formulation of policy and seeing to its due execution, that part of the administration which has to do with executive and advisory work. I hope, therefore, that the house will bear with me if the statement which I have to make is somewhat lengthy. It is lengthy for the reason that I have sought to include in it the names of outstanding persons who have been appointed to the public service in connection with Canada's war effort. I thought it desirable that hon. members should see not only how comprehensive is the list but also how representative in character it is of all shades of political and other opinion and of the business interests in the country.

On different occasions, the leader of the opposition (Mr. Hanson) has drawn attention to ways and means of increasing the effectiveness of Canada's war effort.

This is an aim which is shared by all hon. members of parliament. By none will constructive suggestions calculated to contribute to its fulfilment be welcomed more cordially than by my colleagues and myself.

The particular ways and means to this end which, at one time or another, were suggested by the leader of the opposition have been the enlisting of the services of "the best men":—

(a) In executive and administrative posts, particularly in those branches of government which have to do with the prosecution of Canada's war effort;

(b) In an advisory capacity, where not possible to have their services enlisted either in whole or in part in executive or administrative posts;

(c) In the government itself;

By "the best men" is meant, I think I may assume, persons whose services or advice are available, and who, all circumstances considered, appear best suited for the positions it is necessary or desirable to fill.

It has also been urged by the leader of the opposition that the work of the cabinet should be so arranged as to free as largely as possible from other duties Ministers of the crown who preside over those departments of government which are primarily concerned with war activities, in order that the time and attention of these ministers may be given as exclusively as possible to a consideration of war policies and their effective prosecution.

A review of what, in fact, has actually been accomplished will make clear that it is precisely along these lines that from the very outset the government has been proceeding. We have not sought to do everything at once, thereby involving unwarrantable expenditure, and having, as the war has progressed, to undo much that should never have been done; or, what is worst of all, by premature action, creating problems and situations more difficult of solution than those we have been called upon to meet. Rather have we sought to anticipate, as far in advance as was possible, the problems which were certain or likely to arise in the progress of the war, and to prepare in advance, as far as possible, for the meeting of each new situation as it might arise, taking, when the right moment came, the additional measures required to deal effectively with it. These additional measures to meet new situations as they have arisen, have involved bringing continuously into the service of the state and to the aid of the ministry, in an executive, administrative or advisory capacity, available persons of outstanding ability and experience. It is along these lines that we shall continue to seek to meet each new situation as it is born of the exigencies and demands of the war.

In speaking on these matters, the leader of the opposition called attention to the following statement which I made in the course of the general elections held at the beginning of this year:

> With the war and its problems growing in intensity and magnitude, I shall seek, if we are returned to power, to bring to the aid of the ministry, in an advisory capacity, a still larger number of men of outstanding ability and experience whose services in one way or another might be made available to the state, and add strength to the administration of our policies. How best their services might be consolidated and used whether (a) in an immediate association with the war cabinet, or (b) with a member of the cabinet, intimately associated with its war activities, is something that I would like to consider with my colleagues before the next parliament reassembles.

It will be noticed that this undertaking had relation to a course of procedure which had already been adopted, and with which the public were wholly familiar. It was, for example, everywhere known that in organizing the war supply board, the government had been fortunate in securing as the chairman of that organization, Mr. Wallace Campbell, president of the Ford Motor Company of Canada, who not only was called on occasion into conference with the war committee of the cabinet, but who, in addition to performing the duties of chief executive officer of the war supply board, served throughout in an advisory capacity to the minister responsible for its administration. Mr. Campbell, at the time of his appointment as chairman of the board, was selected as "the best man" available at that particular time for that particular post. The selection was made regardless altogether of party political affiliations.

How extensively, since its return to office, the government has carried out the pledge given by myself in the course of the elections, will be apparent from the appointments, since made, of men of outstanding ability and experience to executive and administrative posts immediately connected with Canada's war effort. Of every person so appointed, it may be said that directly or indirectly he has acted not less in an advisory capacity to the minister of the department concerned, than as an executive or person in a key position performing some important function in the prosecution of Canada's war effort. By advisory opinion thus obtained from exceptionally well informed and highly specialized sources, the ministry itself has been continuously guided in the shaping, development and execution of its war policies.

How effectively the administration has been strengthened by enlisting the services of the particular persons appointed will be apparent from their names, from their previous associations, and from their known qualifications for the executive and key positions now held by them in the departments concerned with war activities.

Appointments have been made by the assignment to tasks, for which they possess special qualifications, of officials from the permanent civil service, and by recruitment from financial, industrial, professional, technical and other fields of activity, of outstanding persons who, because of their training, associations and experience, were regarded as likely to be most familiar with the nature of the new administrative problems which had to be met.

Let me now briefly review the appointments made since the commencement of the war. The list does not purport to include all appointments made, but it is, I believe, sufficiently representative to make clear the government's determination to bring into the service of the state in an executive, administrative or advisory capacity regardless altogether of party political affiliations, the best available men to assist the ministry in the effective prosecution of the war effort of our country.

Department of National Defence

I shall speak first of appointments to the Department of National Defence. They have been so arranged as to indicate opposite the name of the appointee, the position presently held by him in the department, and as well his business or professional affiliation at the time of appointment. The list speaks for itself. It discloses at a glance the importance and variety of the several positions. In most cases, the appropriateness of the appointment will be wholly apparent.

Name	Present position in department	Business or professional affiliation at time of appointment.
Lt.-Col. Henri DesRosiers.....	Acting Deputy Minister (Militia Service).	Vice-president, Imperial Tobacco Co. of Canada, Ltd., Montreal.
Lt.-Col. K. S. Maclachlan.....	Acting Deputy Minister (Naval Service).	President and general manager Fraser Companies, Ltd., Montreal, Edmundston, N.B.; President and general manager, Restigouche Co., Ltd., Campbellton, N.B.
Lt.-Col. Goodwin Gibson.....	Real estate advisor.	Senior partner in firm of Gibson Bros. Real Estate Brokers, Toronto.
Major Basil Campbell.....	Assistant to real estate advisor.	President, Campbell & Shepherd, Limited, Construction Engineers, Toronto.
Arthur MacNamara.....	Chairman, dependents' allowance board.	Deputy Minister of Public Works and Labour, Manitoba government.
Col. A. A. Magee.....	Executive assistant to Minister of National Defence.	President, Barclay's Bank (Canada) and director of several financial institutions.
Capt. H. A. Dyde.....	Special assistant to Minister of National Defence.	Dyde & Becker, Barristers, Edmonton.
Lt.-Col. Geo. Currie.....	Executive assistant to Minister of National Defence.	Partner in Macdonald, Currie and Company, Chartered Accountants, Montreal.

Auxiliary Services

Early in October, 1939, a directorate of auxiliary services was set up in the Department of National Defence to coordinate and facilitate the work of the various agencies promoting the welfare of the men in the service.

Brigadier W. W. Foster, president of the Canadian Legion, was called upon to serve as director. The work of the auxiliary services has increased with the growth of our armed forces and more and more representatives of the voluntary organizations have come to work in active cooperation with service officials in the conduct of this work.

Besides the organization at headquarters in Canada and in each of the military districts an overseas organization has been established at Canadian military headquarters which includes representatives of the four principal voluntary organizations: The Canadian Legion, Y.M.C.A., Salvation Army and Knights of Columbus. Each of these bodies also has representatives working with the first division. The government has undertaken to provide the pay and expenses of a portion of these overseas workers.

[Mr. Mackenzie King.]

Department of National Defence for Air

It will be recalled that very shortly after the general elections a third acting deputy minister was appointed to the Department of National Defence. This appointment had relation particularly to the air forces and the development of the British commonwealth air training plan. The government was fortunate in securing for this most important post the services of Mr. James S. Duncan, vice-president and general manager of Massey Harris Limited, Toronto, one of the best known and ablest industrial executives in Canada. Mr. Duncan's appointment was made on April the 11th.

On May the 22nd, parliament authorized the establishment of a separate Ministry of National Defence for Air and, on the day following, the Hon. C. G. Power was sworn in as minister of the new department.

Since that date, the administrative staff of the Department of National Defence for Air has been further strengthened by the following appointments:

Name	Present position in Department	Business, professional or other affiliation at time of appointment.
Terence Sheard	Executive assistant to the deputy minister.	Assistant General Manager of the National Trust Company, Toronto.
J. L. Apedaile	Inspector of accounts, civil flying schools.	Partner of Cole, Apedaile & Company, Chartered Accountants, Montreal.
S. D. Armour	Contracts officer, civil flying schools.	Banker, Georgeville, Que.
J. W. G. Clark	Director of public relations.	Director of Cockfield, Brown Company, Advertising Agency, Toronto.
I. N. Smith	Assistant director of public relations.	Assistant General Manager and Secretary-Treasurer, Ottawa *Journal*.
W. J. Macdonald	Head of statistical and records branch.	Senior Partner Millar, MacDonald & Co., Chartered Accountants, Winnipeg.
G. M. Black	Assistant to head of statistical and records branch.	Comptroller, Western Breweries Co., Winnipeg.
H. G. Norman	Special assistant to deputy minister.	Partner of Price, Waterhouse & Co., Chartered Accountants, Montreal.
H. G. Colebrook	Executive assistant in charge of engineering and supply.	Director and general merchandising manager of Robert Simpson Co., Toronto.

I shall refer a little later on to the genesis and evolution of the Department of Munitions and Supply from a purchasing board, associated before the war, with the Department of Finance and later, at the commencement of the war, as a war supply board under the supervision of the Minister of Transport, to the present full-fledged Department of Munitions and Supply. For the moment, it is sufficient for me to recall that the department itself was duly established on April the 9th, at which date the existing organization of the war supply board was absorbed into the new Department of Munitions and Supply. In no branch of the public service has need for rapid expansion and the enlistment of services of able executives and persons possessed of special knowledge been greater than in that concerned with the production of munitions and other war supplies. The services of a large proportion of those at present in these positions have been enlisted since the new department took over the work of the war supply board.

The administrative staff of the Department of Munitions and Supply is, like other departments, presided over by a deputy minister.

There is, as well, an executive committee of seven members. This committee might be compared to a small cabinet concerned exclusively with war supply. It meets from day to day; considers and decides upon matters of policy with respect to production of munitions and other war supplies as well as upon the best methods of carrying out policies already determined.

The department is divided into a purchasing branch, a construction branch and a number of production branches for aircraft, shipbuilding, munitions and gauges and chemicals and explosives.

For the mobilization of supplies of raw materials controllers of metals, timber, oil and steel have been appointed. These controllers act not only individually but collectively constitute a war industries control board within the department.

On the administrative side the deputy minister is assisted by the comptroller and secretary and the officials of his branch.

A branch of the department is also being organized for economic research and planning required in order to maintain a constant and uninterrupted development of ever-increasing quantities of the materials of war.

The department has a labour liaison officer and liaison officers in New York and London.

Beyond the department itself, several non-profit making private organizations, fully owned by the government, have been set up to carry on special phases of the work. Speaking in the house on June the 14th, the Minister of Munitions and Supply explained the purpose of these companies as follows:

It has been found utterly impossible to assemble in Ottawa a sufficient staff to handle all the multiplicity of undertakings that the department has in hand at the present time. The act provides that certain government owned and controlled companies shall be established

and headed by business men chosen by the government who will be able to carry on certain operations as companies rather than as part of a departmental staff.

Each of these companies is being or will be administered by a board of directors, chosen from outstanding business men and industrialists.

At the present time within the Department of Munitions and Supply there are, besides those who are connected with these government owned companies, some 65 persons serving in key positions or as departmental heads, of which number ten are outstanding permanent civil servants.

A list of departmental heads and key men in the Department of Munitions and Supply was placed on *Hansard* by the minister, on June the 20th. The names of the persons whose services have been classified in relation to their present position and prewar occupation are as follows:

Department of Munitions and Supply

Name	Present position in department	Business or professional affiliations at time of appointment
G. K. Sheils	Deputy Minister.	Asst. General Manager, General Steel Wares Ltd., Toronto.
W. C. Woodward	Chairman, Executive Comm.	President, Woodward Stores Ltd., Vancouver, B.C.
R. P. Bell	Member, Exec. C.	Director, Pickfords Black, Limited, Halifax and other Companies.
Henry Borden, K.C	Member, Exec. C.	Barrister, Toronto.
W. A. Harrison	Member, Exec. C.	Managing Director, Estabrooks Ltd., Saint John, N.B.
R. A. C. Henry	Member, Exec. C.	General Manager, Beauharnois Power Corp., Montreal.
G. W. Scott	Member, Exec. C.	Chartered Accountant, Montreal.
E. P. Taylor	Member, Exec. C.	President, Canadian Breweries Ltd., Honey Dew, Ltd.: Orange Crush Ltd., Toronto.
A. J. Martin	Acting Secretary.	President, General Skycraft Ltd., Montreal.
L. R. Thomson	Secretary and Comptroller.	Consulting Engineer, Montreal.
A. S. Tindale	Ass't Sec'y. and Comptroller.	Chartered Accountant, Toronto.
J. P. Pettigrew	Exec. Assistant to Deputy Minister.	General Manager, Windsor Fisher Ltd., Montreal.
W. D. Low	Exec. Assistant to Deputy Minister.	Purchasing Agent, C.N.R., Montreal.
J. deN. Kennedy	Legal Department.	Barrister, Solicitor, Toronto.
J. B. Carswell	New York Liaison Officer.	President, Burlington Steel Co., Hamilton.
C. A. Banks	London Liaison Officer.	Managing Director, Bulolo Gold Dredging Ltd.
H. B. Chase	Labour Liaison.	Canadian Vice-President Brotherhood of Locomotive Engineers.
W. F. Drysdale	Director of Production, Munitions and Gauges.	Vice-President, Montreal Locomotive Works.
W. S. Lecky	Assistant—Munitions.	Manager, Holman's Machines, Montreal.
Dr. C. A. Robb	Assistant—Gauges.	Professor Mechanical Engineering, University of Alberta.
J. R. Donald	Director of Production, Chemicals and Explosives.	J. R. Donald Co., Montreal.
A. F. McCall	Assistant.	Director, Drummond McCall & Co. Ltd., Montreal.
Dr. J. H. Ross	Assistant.	Director, Forest Products Laboratory, Montreal.
W. J. Sanderson	Director of Production, Aircraft.	President, Fleet Aircraft Ltd., Fort Erie, Ont.
W. S. Goodeve	Asst.—Executive.	Motor and Coach Co. Ltd.
J. T. Asquith	Asst.—England.	Export Sales Manager, British Machine Tool Co.
J. C. Ruse	Asst.—Raw Materials.	Contractor, Diamond Drilling and Exploration.

Department of Munitions and Supply—*Concluded*

Name	Present position in department	Business or professional affiliations at time of appointment
A. K. Tylee, O.B.E.	Asst.—Building.	Ex-Air Commodore, R.C.A.F.
D. Stairs	Director of Construction, Defence projects.	Chief Engineer, Montreal Construction Co. Ltd.
E. P. Murphy	Assistant.	Construction Engineer, Department of Transport.
L. C. Jacobs	Assistant.	Engineer, Montreal Power Corporation of Canada.
D. B. Carswell	Director of Shipbuilding.	Marine Superintendent, Department of Transport.
G. Ogilvie	Director of Plant Survey and Production.	Department of National Defence.
A. T. J. Watts	Assistant.	Department of National Defence.
J. P. D. Malkin	Director of Purchases.	Director of W. H. Malkin & Co., B.C. Packers and other companies, Vancouver, B.C.
J. Eaton	General Purchasing Agent.	Asst. to General Purchasing Agent, C.P.R.
L. L. Price	Asst. General Purchasing Agent.	Purchasing Agent, C.N.R., Montreal.
D. P. Buckley	Aircraft Section.	Department of National Defence.
T. A. McCormick	Barrack Stores Section.	Purchasing Agent, Canada Creosoting Co.
W. J. Atkinson	Fuel, Paints Section.	Purchasing Agent, C.N.R., Toronto.
C. P. Morrison	Machinery, Tools.	Radio Department, C.N.R.
E. S. Hoare	Naval Stores.	Department of National Defence.
G. A. Briggs	Clothing.	Department of National Defence.
W. E. Wilford	Food.	Commissary Purchasing Agent, C.N.R., Toronto.
C. B. Doheney	Mechanical Transport.	Purchasing Agent, C.N.R., Toronto.
C. E. W. Morehead	Building Supplies.	Purchasing Agent, C.N.R.
A. P. Labelle	Medical.	Wholesale Drug Supplies.
F. E. Wood	Cost Investigation.	National Steel Car Corp., Cost Accountant.
W. C. McEachern	Personnel.	Post Office Department.
B. S. Liberty	Transport Controller.	C.N.R.
W. Lauchlan	Treasury Liaison Officer.	Chief Treasury Office, Department of Finance.
R. Thomson	Publicity.	Public Relations Counsel, Montreal.
H. G. Caldwell	Statistics.	Professor Queen's University.
D. G. Mackenzie	Assistant R.A.C. Henry.	Consultant Economist.
W. J. Neville	Files, Mail and Messenger Service.	Canadian Pacific Railway, Montreal.
J. A. Marsh	Contract Investigator.	M.P. and General Purchasing Agent, Canadian Porcelain Co., Hamilton.
A. R. Gilchrist	Overseas Accounting.	North End Motors Ltd., Office Manager.
A. Davis	Technical Consultant, leather.	President, Davis Leather Co., Newmarket.
F. C. Mechin	Petroleum.	General Manager, Imperial Oil Refineries Ltd., Montreal.
C. W. Sherman	Steel.	President, Dominion Foundries Ltd., Hamilton.
H. D. Scully	Controller—Steel.	Commissioner of Customs.
G. C. Bateman	Controller—Metals.	President, Canadian Institute of Mining and Metallurgical Engineering Institute, Toronto.
H. R. McMillan	Controller—Timber.	President, H. R. McMillan Export Co., Vancouver.
Geo. R. Cottrelle	Controller—Oil.	Director, Canadian Bank of Commerce.
S. W. Fairweather	Economic Adviser.	Director Bureau of Economics.

The government owned and controlled non-profit making private organizations set up to carry on special phases of the work of production of munitions and other war supplies are the following:

Operating Companies of the Department of Munitions and Supply

The Citadel Merchandising Company Limited:

This company is concerned with ensuring the supply of machine tools and other equipment essential to war industry.

The officers are:

President	Thomas Arnold	Chairman, Manitoba Steel Foundries Ltd.
Vice-President	L. J. Belnap	President, Consolidated Paper Corp. Ltd.
Director	J. D. Johnson	President, Canada Cement Co. Ltd.
Director	C. E. Gravel	Director, Bell Telephone Co. of Canada.
Director	F. K. Morrow	Director, Ogilvie Flour Mills Co. Ltd.

The Federal Aircraft Limited:

This company has been organized to coordinate the output of all parts and to expedite the production of the Anson Training Aircraft.

The officers are:

President	R. P. Bell	Director, Pickfords Black, Ltd., Halifax and other companies.
Gen. Manager	R. J. Moffett	Chief Aeronautical Engineer of Canadian Vickers.
Treasurer	F. L. Jeckel	Montreal Manager of Hardy and Badden, Chartered Accountants.
Director	Sidney Dawes	President of the Atlas Construction Co., Montreal.
Director	Blair Gordon	President, Dominion Textile Co.
Director	Russell Smith	Canadian Industries Ltd.
Director	Allan Aitken	Price Bros. & Co. Director of National Life Assurance Co. and other companies.

Another company has been organized of which, as yet, no public announcement has been made, which will be known as The Allied Supplies Limited. This company will be concerned with administration of the munitions and explosives programme undertaken on behalf of the British government and of any joint British-Canadian developments which may be assigned to do it.

The officers will be:

Chairman	Hon. C. A. Dunning	An ex-Minister of Finance in the federal government.
President	Harold Crabtree	Howard Smith Paper Co., Montreal (President Canadian Manufacturers' Association).
Directors:	W. D. Black	President, Otis Fensom Elevator Co., Hamilton (an ex-president of Canadian Manufacturers' Association).
	Beaudry Leman	President and Managing Director of Banque Canadienne Nationale (Past President of Canadian Bankers' Association).
	J. Y. Murdock	President of Noranda Mines, Ltd., and other companies.
	D. R. Turnbull	Managing Director of Acadia Sugar Refinery Co. Ltd., Halifax.
	R. H. McMaster	President of Steel Co. of Canada, Montreal.
	E. A. Wilson	President and General Manager of Ingersoll Machine and Tool Co. Ltd., and Vice-President and Gen. Manager Morrow Screw & Nail Co., Ingersoll.

It will be observed that the lists of persons I have quoted contain the names of many whose names, from one source or another, have been mentioned as those of individuals whose presence in the cabinet might be expected to add to the effectiveness of Canada's war effort. I submit that in the positions in which the services of the persons cited have been enlisted their opportunity to be of service to the state and effectively to aid the ministry (all circumstances considered) is relatively greater than it might be expected to be were they members of the ministry itself.

Department of Finance

The appointments I have mentioned thus far have been in the departments immediately concerned with military defence. In the administration of the departments and agencies concerned with matters of economic defence and internal security, the government has likewise enlisted the services of equally representative groups of outstanding and specially qualified persons.

For instance: In the Department of Finance, the executive staff has been strengthened by the appointment of Professor W. A. Mackintosh, head of the Department of Political and Economic Science of Queen's university, as special assistant to the minister. But much more than in the work of the department itself, the services and counsel of business and professional men have been sought in connection with the organization and direction of campaigns for nationally offered war loans and the sale of war savings certificates, and in the vital and highly specialized work of the foreign exchange control board.

War Loan and War Savings Campaigns

To direct the campaign for the first publicly offered war loan, a national war loan committee was set up under the chairmanship of the Minister of Finance. Serving on it were five former ministers of finance:

Sir Thomas White,
Sir Henry Drayton,
Honourable C. A. Dunning,
Right Honourable R. B. Bennett, and
Honourable E. N. Rhodes.

In addition were the provincial treasurers of all nine provinces. In order to give the committee as broadly representative a character as possible some 225 prominent people in all the provinces of Canada were added to the membership.

To direct the more purely technical aspect of the campaign, a national subscription committee of men connected with the securities business was set up under the chairmanship of Honourable C. A. Dunning.

In the campaign for the sale of war savings certificates the government has similarly availed itself of the services of prominent business and professional men.

A national war savings committee was set up of which Mr. W. H. Somerville, general manager of the Mutual Life Assurance Company of Canada, and Mr. de Gaspe Beaubien, a consulting engineer of Montreal, and a director of several industrial companies, were appointed as joint chairmen. Provincial chairmen were selected as follows:

British Columbia—Christopher Spencer, Vancouver.
Alberta—John Burns, Calgary.
Saskatchewan—W. G. Yule, Regina.
Manitoba—E. J. Tarr, K.C., Winnipeg.
Ontario—R. V. LeSueur, Toronto.
Quebec—Napoleon Charest, Montreal.
New Brunswick—George E. Barbour, Saint John.
Nova Scotia—W. K. McKean, Halifax.
Prince Edward Island—Edmund T. Higgs, Charlottetown.

Foreign Exchange Control Board

Early in September, a foreign exchange control board was set up consisting of senior members of the public service and officers of the Bank of Canada. The purpose of the board has been that of setting up a complete system of exchange control, thus to conserve our financial resources and supplies of foreign exchange, and to prevent the dissipation of our capital into speculative or other unessential uses abroad. Working in close association with the Bank of Canada, the board has achieved its purposes with complete efficiency. Its task has been growing ever greater and more complex. To assist the nucleus of officials from the Bank of Canada, the board has secured the services of an ever increasing number of highly trained men from the fields of business and finance. I may make brief mention of some of these.

In addition to 20 employees of the Bank of Canada whose services have been lent to the board on a full time basis, the chartered banks have provided the services of 20 officials including Mr. F. R. MacLean of the Dominion bank, Mr. G. Catherwood of the Royal bank, and Mr. E. C. Winrow of the bank of Montreal. Some 30 chartered accountants have been lent to the board by their employers on a full time basis, and an additional 15 to do investigational part time work in the commercial section in the summer months.

Five experienced securities dealers assist in the work of the securities section. Apart from the head of the general section, eight other lawyers are engaged in its work.

The following is a representative list of the executives who have come to assist in the direction of the work of the board:

Name	Present position on board	Former position
C. K. Highmoor	Chief of foreign exchange section.	Assistant superintendent, Foreign dept. of Canadian Bank of Commerce.
A. McD. McBain	Public relations officer.	Manager of Foreign Relations Dept., Bank of Nova Scotia.
M. W. Mackenzie	Chief of commercial section.	Partner in McDonald, Currie, etc., Chartered Accountants, Montreal.
D. R. A. Walker	Chief of securities section.	Associated with Wood, Gundy and Co. Ltd., Investment Dealers, Toronto.
W. D. Matthews	Chief of general section.	Barrister, with Wills, Bickle and Gayley, Toronto.
A. M. Campbell	Advisor on matters affecting insurance.	Associate Actuary, Sun Life Assurance Co.
Douglas Dewar	Head of Vancouver office.	A Canadian who was formerly senior partner in Peat, Marwick and Mitchel, Chartered Accountants, New York.
André Gervais	Chief of commercial section, Montreal branch.	Chartered Accountant, with Roland Levesque et Cie., Montreal.

War-time Prices and Trade Board

Upon the outbreak of war, immediate concern was shown by the government to prevent the disastrous rise in prices which so seriously dislocated the Canadian economy in the last war. On September 3rd, the government established the war-time prices and trade board, and invested it with extensive powers to prevent hoarding, profiteering and undue rise in prices of necessities. The board itself is composed entirely of outstanding permanent officials under the chairmanship of Mr. Hector McKinnon, who is also chairman of the tariff board.

The complete list of the officials and administrators appointed from outside the public service is as follows:

K. W. Taylor	Secretary.	Professor of economics, McMaster University.
Hubert Kemp	Economic adviser.	Professor of economics, University of Toronto.
J. M. MacDonald	Economic adviser.	Head of Department of Commerce, University of Manitoba.
H. D. Anger	Solicitor of board.	Barrister, of firm Elliott, Hume, McKague, and Anger, Toronto.
David C. Dick	Wool administrator.	Manufacturer: President, Cobourg Dying Co. Ltd., Cobourg, Ontario.
Harry Brown	Technical adviser to Wool Administrator.	Retired textile expert, formerly Superintendent of the Rosamond Woollen Mills, Almonte, Ont.
W. P. Walker	Economic adviser to Wool Administrator.	Comptroller of York Knitting Co., Toronto.
S. R. Noble	Sugar Administrator.	Assistant General Manager, Royal Bank of Canada, Montreal, Que.
H. J. Hobbins	Technical adviser to Sugar Administrator.	Sugar broker.
Maurice Samson	Hides and Leather Administrator.	Chartered accountant, of the firm of Samson, Knight & Company, 70 St. Peter St., Quebec, P.Q.
J. McGregor Stewart, K.C.	Coal Administrator.	Barrister, of the firm of Stewart, Smith, McKeen & Rogers, Halifax, N.S.

Department of Agriculture

An agricultural supplies board has been set up within the Department of Agriculture to help meet the extraordinary problems for our agricultural economy created by the war.

Other wartime bodies within the department are the bacon board, which was set up to implement and direct Canadian fulfilment of the important bacon agreement with the United Kingdom, and a dairy products board which was created to supervise the whole question of the production and marketing of dairy products. There is also an advisory committee to the bacon board but this, unlike the two just mentioned, possesses no executive powers.

To assist these boards in the conduct of their duties, the government has enlisted the services of specially qualified persons from outside the permanent service. The Department of Agriculture has obtained the full-time services of Professor S. R. N. Hodgins of Macdonald College, Montreal, as secretary of the agricultural supplies board, of Mr. D. J. Perry, transportation officer of Canada Packers, Montreal, as transportation specialist for the bacon board, of Mr. C. J. Servais, packing house accountant of Toronto as accountant of the bacon board and of Mr. W. E. Bosnell, the plant superintendent of Canada Packers, Toronto, as technical adviser.

The part-time services of the following persons have also been enlisted by the department:

Name	Present position in department	Former position
Hon. J. G. Taggart	Chairman, bacon board	Minister of Agriculture, Saskatchewan.
S. W. Todd	Member, bacon board	Industrial and Development Council, Canadian Meat Packers.
L. C. McOuat	Member, bacon board	General agriculture agent, C.P.R.
Adrien Morin	Member, bacon board	Chief, Live Stock Branch, Department of Agriculture, Quebec.
John Freeman	Member, dairy board	President of Lovell & Christmas (Canada) Ltd., exporters of dairy products, Montreal.
J. F. Desmarais	Member, dairy board	President of Co-opératives fédérées, Quebec, Montreal.

Department of the Secretary of State

Several of the war-time boards and agencies under the department of the Secretary of State are administered by a well known person from outside the government service. Dr. H. M. Tory, retired former president of the National Research Council has been serving as director of the technical section of the voluntary service registration bureau. The services of Brigadier General E. deB. Panet, chief of the department of investigation of the Canadian Pacific Railway have been secured as director of internment operations.

To organize the public information office the government first secured the services of Mr. Walter S. Thompson, director of public relations for the Canadian National Railways. Upon Mr. Thompson's retirement, because of the impairment of his health, he was succeeded by Mr. G. H. Lash as director, and Mr. Claude Melancon, as associate director, both of whom had been associated with Mr. Thompson in the Canadian National Railways.

Mr. W. Gordon Gunn, barrister, Winnipeg, is serving as the administrator of the War Charities Act. Mr. T. W. Laidlaw, the dean of Manitoba Law School, and Mr. V. C. MacDonald, dean of the Dalhousie Law School, are both giving their services during their summer absence from their schools in connection with special work under the custodian of enemy property.

Departments of Trade and Commerce and Transport

In the Department of Trade and Commerce Mr. A. W. L. MacCallum has been appointed director of shipping, serving as executive officer of the Canadian shipping board. Mr. MacCallum formerly was manager of the Shipping Federation of Canada, Inc., of Montreal.

A similar outstanding appointment has been made in the Department of Transport of Mr. T. C. Lockwood as transport controller. The transport controller has supervision over the whole question of priority of movement with

regard to war needs. Mr. Lockwood was formerly general freight traffic manager of the Cunard White Star Line, Montreal.

I have referred thus far to enlisting in the government service, in executive and administrative positions, the best available persons from the business and professional world. I come now to the suggested means of increasing the effectiveness of Canada's war effort by enlisting the services of the best available persons in an advisory capacity where not possible to have their services enlisted either in whole or in part in executive or administrative posts.

In considering specific problems the government has not hesitated to seek the advice and cooperation of existing organizations and bodies known to be conversant with phases of the work concerned. In addition, a number of advisory boards and committees have been specially organized to aid ministers and war agencies by advice based upon practical experience. In each of these advisory bodies an effort has been made to secure as representative a group as possible of duly qualified persons. I may mention, briefly, a few of these—some specially created to meet the war situation, others organized bodies already established.

As an example of the advice and cooperation of existing Canadian bodies sought in connection with the solution of specific problems arising out of war-time administration, I might mention the conferences between officials of the dominion government, representatives of the various provincial governments, and the officers of qualified voluntary organizations, with respect to the questions of the immigration of refugees and the movement of evacuated children to Canada from the United Kingdom and elsewhere. Special mention should be made in this connection of the helpful cooperation of the officers of the Canadian Welfare Committee and of the Canadian National Committee on Refugees.

In the work done so far by officials of the Department of Pensions and National Health upon air raid precautions, the collaboration of the provincial authorities in the coastal provinces has been obtained and, as well, the full cooperation and advice of the St. John Ambulance Brigade and Association. The department, in its health activities related to the war effort, has also secured the cooperation of all public health forces of the dominion, acting through the Dominion Council on Health. This council is made up of the chief health officers of all the provinces.

Department of Labour

The government has recognized from the outset the importance of meriting and obtaining the whole-hearted cooperation of labour in the development of Canada's war effort. It has recently given concrete expression to this recognition by the declaration of certain principles for the regulation of labour conditions now embodied in an order in council.

Recently there has been created a national labour supply council. The purpose of this council is to bring to the minister of the department advice from qualified representatives of labour and of industry upon all matters touching the supply of labour for war industries.

The chairman of the National Labour Supply Council is Mr. A. J. Hills, chief of personnel of the Canadian National Railways. The secretary is Mr. Humphrey Mitchell, a former member of this House of Commons and for some time past a permanent official of the Department of Labour. The council itself is composed of five representatives of labour and five of industrial employers, with an alternate for each.

The membership is as follows:

Representatives of labour:

Representative	Alternate
E. J. Tallon, Ottawa, secretary-treasurer of the Trades and Labour Congress of Canada.	A. D'Aoust, Canadian vice-president of the International Brotherhood of Paper Makers.
J. W. Bruce, General organizer for Canada for the United Association of Journeymen, Plumbers, Gas Fitters and Steamfitters Helpers.	Fred Molineaux, Canadian general organizer, International Brotherhood of Painters, Decorators and Paper Hangers of America.
James Somerville, Canadian general vice-president International Association of Machinists.	Tom Moore, Ottawa, president of the Trades and Labour Congress of Canada.
A. R. Mosher, Ottawa, president of the All-Canadian Congress of Labour.	C. R. Millard, director of the Steel Workers Organizing Committee.
Alfred Charpentier, Montreal, president of the Confederation of Catholic Workers of Canada.	Maurice Doran, Montreal, vice-president of the Confederation.

Representatives of employers:

Mining industry

Representative	Alternate
J. H. Stovel, incoming president Ontario Mining Association and general manager, Dome Mines Ltd., South Porcupine.	N. A. Bryce, past president, Ontario Mining Association, president, Macassa Mines, Kirkland Lake, Ontario.

Canadian Chamber of Commerce

Allan M. Mitchell, Robert Mitchell Co. Ltd., Montreal, Quebec.	D. P. Cruickshank, president, Steel Equipment Company, Ottawa, Ontario.

Canadian Manufacturers' Association

W. C. Coulter, past president, C.M.A.; president Coulter Copper & Brass Co., Toronto, Ontario.	W. H. McIntyre, vice-president, Ottawa Car & Aircraft Co., Ottawa, Ont.
C. N. Moisan, president, Standard Paper Box Co., Montreal, Quebec.	Louis Armstrong, Consolidated Paper Corporation, Montreal, Quebec.

Canadian Construction Association

J. M. Pigott, Pigott Construction Co., Hamilton, Ontario.	Albert Deschamps, general contractor, Montreal, Quebec.

Associated with the work of the Department of Transport are two advisory boards set up to recommend as to compensation for owners of vessels which have been requisitioned; one board for the Pacific coast and one for the Great Lakes, St. Lawrence River and Atlantic coast.

Chairman for the Pacific coast region is Honourable Justice Dennis Murphy of the Supreme Court of British Columbia.

Chairman for the Great Lakes, St. Lawrence River and Atlantic coast region is Honourable Justice M. B. Archibald of the Supreme Court of Nova Scotia.

Department of Agriculture

In the Department of Agriculture an advisory committee to the bacon board has been set up to bring to the operations of the board the benefit of the advice of a group of men representative of producers and of the packing industry. This advisory committee is without a chairman of its own and holds its meetings in conjunction with those of the bacon board itself.

Its members are:

W. J. Reid—Formerly associated with the P.E.I. Department of Agriculture.

H. Wilson—Well-known hog producer in western Ontario.

John Harrold—Hog producer of Alberta.

Joseph Bisson—Connected with the cooperative marketing of livestock in the province of Quebec.

K. N. M. Morrison—General manager of First Co-operative Packers of Ontario, Limited.

F. H. Downing—Manager of Canadian Livestock Co-operative (Western) Limited.

John Burns—President of Burns Packing Company of Calgary.

J. H. Tapley—General manager of Swift & Company, Toronto.

Department of Fisheries

Two committees have been formed to be associated with the Department of Fisheries in an advisory capacity.

A war-time fisheries advisory board has been appointed to consider the whole question of the marketing of Canadian fish. Its personnel has been chosen to give representation to men with practical experience in both our Atlantic and Pacific fisheries.

Chairman: J. J. Cowie—Official of the department.

A. H. Brittain—Past president of Canadian Fisheries Association, Montreal.

Louis T. Blais—President, Louis T. Blais, Ltd., and president, St. Lawrence Sea Products Company, Quebec.

H. G. Connor—President, Maritime National Fish Limited, Halifax, N.S.

W. H. Smith—President, Lunenburg Sea Products, Lunenburg, N.S.

T. R. Clouston—General Sea Foods Ltd., Halifax.

A. Neil McLean—President, Connors Bros. Limited, Black's Harbor, N.B.

Col. J. W. Nicholls—Canadian Fish and Cold Storage Company, Prince Rupert, B.C.

A. L. Hager—President, Canadian Fishing Company, Limited, Vancouver.

Major Hugh A. Green—Coastal Fisheries, Ltd., Montreal, and director of fish supplies for Canadian army during the first Great War.

W. George Akins—Publicity agent, Toronto.

F. W. Wallace—Editor of Canadian Fisherman, and supervisor of fish division of the Canada Food Board during the first Great War.

Advisory Committee to the Lobster Controller

The dissolution of markets has necessitated the appointment of a controller who will have supervision over the entire field of production and marketing of canned lobster. In the initial stages, Dr. D. B. Finn, deputy minister of the Department of Fisheries, is serving as

controller; but to assist him an advisory committee of men immediately concerned with this problem has been appointed. The committee, chosen to give representation both to the fishermen and to the lobster canning industry, consists of Messrs.:

G. S. Lee of Halifax.
Bert McInerney of Halifax.
W. H. Tidmarch of Charlottetown.
Emile Paturel of Shediac.

War-time Cooperation with the Provinces

I should not like to conclude this portion of the review of the services given in an advisory and practical manner by existing organizations, associations and individuals without making special mention of what might be spoken of as war-time cooperation extended on the part of the provinces of Canada.

I have already indicated wherein the federal government received the closest cooperation from the provincial governments in the first national war loan campaign. As mentioned, the provincial treasurers of all the provinces served on the national war loan committee.

Also, as just mentioned, the closest cooperation has been received from the welfare departments of the provincial governments in working out arrangements for the reception in Canada of refugees and evacuated children, and as mentioned, the Department of Pensions and National Health is cooperating with the provinces in the provision of air raid precautions.

The Department of Munitions and Supply is receiving valuable assistance and cooperation from provincial departments of natural resources, mines, lands and forests, etc., in the task of mobilizing our resources of raw materials to meet war-time needs.

As in peace time, close cooperation is maintained between the federal departments and the provincial authorities in the departments of agriculture and fisheries.

In the field of health and welfare, war-time conditions have made more essential than ever the closest cooperation between federal and provincial authorities.

In peace time, the primary responsibility for public order and the administration of justice rests with the provinces. It has been recognized, however, that in time of war, a share of this responsibility must necessarily be assumed by the federal government. This has not relieved the provinces of their constitutional function but it has served to emphasize the need for the closest cooperation between the provincial police and law enforcement agencies, on the one hand, and the Royal Canadian Mounted Police and the Department of Justice on the other.

[Mr. Mackenzie King.]

In these and other ways, the federal administration has been materially aided by the governments of the several provinces in the successful prosecution of Canada's war effort.

I come now to means of increasing the efficiency of the cabinet, other than those of enlisting the services of the best available persons in executive and administrative positions or in an advisory relationship to individual ministers. In other words, I come to the cabinet itself, and here I wish to speak first of the plan of war organization within the cabinet and later of cabinet responsibility and personnel.

Canada's war effort has been, from the first, and will continue to be organized and directed by the cabinet. From the outset, the work of the cabinet has been so organized as to permit of immediate and effective direction of the various activities, and at the same time to ensure their complete coordination. For the most effective conduct of that effort, the cabinet itself has been organized into appropriate committees, each charged with responsibilities in specific spheres of activity.

WAR ORGANIZATION

Cabinet Committees and Related Agencies

Prior to the war, there had been established a committee of the cabinet especially appointed to consider matters of defence.

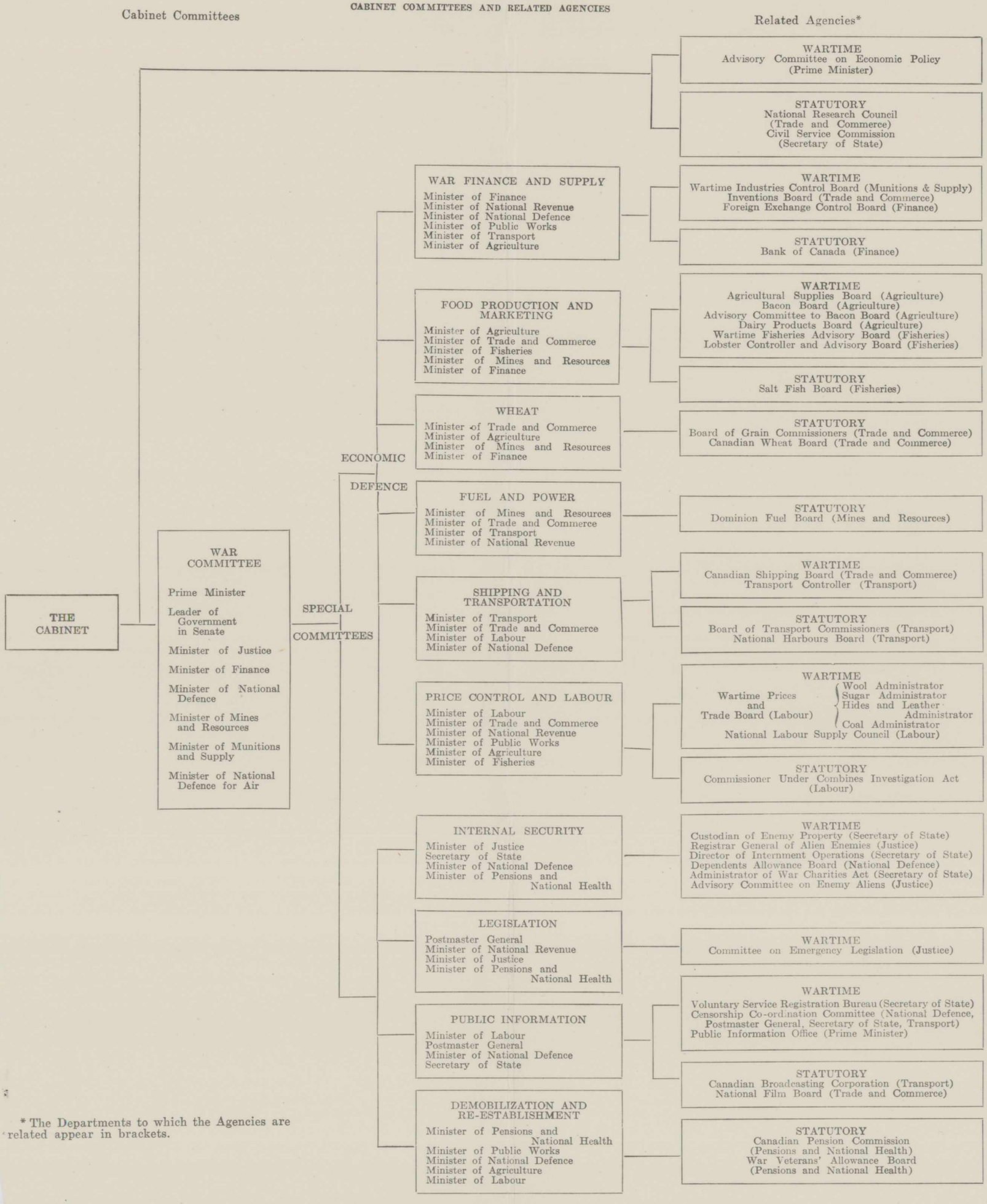
When the war broke out, and it became necessary to view the problems of war in relation one to the other, and as a whole, in order the better to coordinate the work of the government, to prevent duplication of effort, and to promote efficiency, special committees of the cabinet were formed in relation to the several problems of major concern.

As a supervisory body in a position to view the war effort as a whole, an emergency council was appointed with an immediate relationship to the work of the several governmental committees. At the outset, this emergency council was composed of senior members of the cabinet. Amongst other duties, it took over those of the defence committee established prior to the war. As occasion has since required, its personnel has been altered or increased to include the ministers whose departments are especially concerned with the war effort. In an early reorganization, its name was changed. It has since been designated and is now known as the war committee of the cabinet. The ministers at present composing the war committee are the following:

The Prime Minister, the Leader of the Government in the Senate, the Minister of

WAR ORGANIZATION

CABINET COMMITTEES AND RELATED AGENCIES



* The Departments to which the Agencies are related appear in brackets.

Mines and Resources, the Minister of Justice, the Minister of Finance, the Minister of National Defence, the Minister of National Defence for Air, the Minister of Munitions and Supply.

The war committee of the cabinet gives continuous consideration to, and recommends decisions by the cabinet upon, major questions of war policy and defence.

Related to the war committee are special committees especially charged with the consideration and supervision of specific problems. They are composed of the ministers primarily concerned with related phases of war effort. The committee also assist in the coordination of activities in which more than one department is involved. Of these special committees, six are concerned with problems related to Economic Defence: War Finance and Supply, Food Production and Marketing, Wheat, Fuel and Power, Shipping and Transportation, Price Control and Labour.

In addition there are special committees which deal also with matters of:

Internal security;
Legislation;
Public information;
Demobilization and reestablishment.

Related directly to the work of the cabinet committees are the activities of the boards and agencies to which I have already referred. Certain statutory bodies already existing prior to the war, and as a result of the war charged with special responsibility, have also been related directly to the functions of the special cabinet committees which I have just described.

In order to further the effective coordination of the economic and financial policy in war time, to facilitate the work of the cabinet committees in the consideration of specific problems, and to assist in avoiding duplication of effort by departments and agencies, an advisory committee on economic policy, composed of members of the public service, has been established. This committee acts in an advisory capacity to the cabinet itself.

I have in my hand a diagram which discloses at a glance the relationship to the cabinet of the war time and statutory bodies and boards to which I have referred. It also designates, by the departments over which they preside, the ministerial personnel of the several committees. With the permission of the house, I will ask that the diagram be inserted in *Hansard*.

May I at the same time suggest that it may possibly suit the convenience of hon. members who may wish to glance at this review if *Hansard* were permitted to print the headings of the various subdivisions of the review itself. †

† See diagram following page 1397.

There is, thus, at the present time, an extensive and complete organization as between the different departments of the government whereby the duties and burdens of ministers are widely distributed and shared. Also, through the war committee of the cabinet, the most immediate and special attention is given to the general problems of the war.

I have shown how, under the war organization of the cabinet, the burdens and duties of individual ministers have been lightened by the sharing of duties between ministers themselves and by the consideration and coordination of war activities by inter-related committees representative of different phases of war effort. It has been urged, as already mentioned, that the efficiency of the government might further be enhanced by the work of the cabinet being so arranged, and responsibilities of ministers so divided, as to free as largely as possible from other duties and responsibilities, the ministers of the crown who are concerned with those departments of government which have primarily to do with war activities, in order that their time and attention may be given as exclusively as possible to the consideration and effective execution of war policies.

As a corollary, it has also been urged that matters pertaining to war policy and the direction of the war effort should, as largely as possible, be entrusted to a war committee of the cabinet, the members of which would be free to give most, if not the whole of their time, to matters pertaining to the war, leaving to other members of the government, the administration of the departments concerned with matters of state which, in time of peace, are of great importance, but which, in time of war, are relatively less important.

From what I have already said with respect to the war committee of the cabinet, it will be seen that it has been precisely along these lines that the government has been proceeding. The need for the expansion of administrative personnel was more urgent at the outbreak of war than the need for the expansion of the cabinet. The need, however, of creating new ministries to meet wartime demands and of assigning to their administration, ministers whose time could be exclusively devoted to the supervision and encouragement of their affairs has become only too obvious. Existing ministries have accordingly been enlarged. New ministries have been established, and yet further ministries concerned exclusively with wartime activities are about to be created. To offset this expansion of wartime services, the activities of peacetime services have been materially curtailed. Their administration has been placed as completely as possible under

members of the government other than those primarily concerned with war activities. Where circumstances warrant it, a single minister has been given the responsibility of administering the affairs of more than one department.

Department of National Defence

The natural place of beginning the expansion of war services was with the Department of National Defence.

The Department of National Defence was the nucleus of the war administration. Until July, 1939, the department was entrusted not only with the organization of the defence forces but also with the problem of supply. The progressive increases in our defence expenditures from 1936 made it necessary to develop additional machinery for coping with the problem of supply. As a result the defence purchasing board was set up on July 14, 1939. When war came, we had already provided the beginnings of an organization to meet the supply problem.

The actual outbreak made necessary immediate administrative expansion in four directions. The fighting forces had to be increased in numbers, they had to be provided with vast quantities of war supplies and the necessary funds had to be obtained to finance this expansion. Finally provision had to be made for internal security and economic stability on the home front.

The mobilization and recruitment of the fighting forces threw added burdens on the administrative staff of the Department of National Defence. Two acting deputy ministers, both veterans, and both prominent industrialists with wide administrative experience were immediately added to the staff. One was entrusted with the militia services, the other with the naval and air services.

Department of Munitions and Supply

At the outbreak of war, the work of the defence purchasing board was transferred to a war supply board. At the special session of parliament, the government took steps to provide for a Department of Munitions and Supply under a separate minister of the crown. That department has since come into being and grown to vast proportions. It has been under a minister who, until to-day, had also been administering the affairs of the Department of Transport. The maintenance for a time of the association between the two departments made possible a needed rearrangement of some of their activities and the effecting of economies which would not otherwise have been possible.

The former Minister of Transport who also for some time past has been the Minister of Munitions and Supply will hereafter give his entire time to the work of the latter department. There has been transferred to the Department of Munitions and Supply, as being closely related to war activities, the branches of the Department of Transport concerned with the Trans-Canada Airways, civil aviation, and national radio broadcasting. The new Department of Munitions and Supply is the first new ministry which has been created since the outbreak of war.

Department of National Defence for Air.

The second new ministry is well known. It is the Department of National Defence for Air. Before the separate department was created, the Department of National Defence had been strengthened by the addition of an Acting Deputy Minister for Air to relieve the burden of the two Acting Deputy Ministers already mentioned.

The magnitude and importance of the commonwealth air training plan is well known. The development of this plan, in addition to the developments which were immediately related to our own air forces, made necessary the creation of a separate portfolio for Air. The wisdom of the course followed in creating the new Ministry of National Defence for Air has, I think, been fully demonstrated.

Department of National Defence for Naval Services

With the changed conditions in Europe, the increased importance of the navy, not only in the defence of our own coasts and harbours, but in cooperation with the naval forces of the United Kingdom and other parts of the British empire has become generally appreciated. As is now pretty generally known, the port of Halifax has, since the beginning of war, become a naval base second only in importance to the most important bases in the British Isles. In these circumstances, the government has deemed it advisable to add to the existing defence departments that of a separate Department of National Defence for Naval Services. A bill to establish the new ministry will be introduced immediately. What therefore, was originally a single Department of National Defence will hereafter be three departments, each presided over by a separate minister of the crown, all however, cooperating in closest relationship with each other.

Department of National War Services.

I informed the house some days ago that the government had decided to establish a Department of National War Services. I indicated at that time that the purposes of the new department would include the coordination

of the activities of voluntary war organizations and services, but what was even more important, that it would be entrusted with the duty of mobilizing and guiding the activities of thousands of our citizens who are seeking practical and useful outlets for their enthusiasm and patriotism, and who are already banded together in patriotic organizations, veterans organizations, women's organizations, and a host of other groups who are eager to serve.

The minister charged with the responsibility for the new department will be expected immediately to establish a nationwide organization for voluntary service to be assisted by local committees in all parts of the country.

With developments in Europe, problems such as those of refugees, evacuated children, interned aliens and interned enemy prisoners have assumed proportions which require for their solution more and more in the way of cooperative effort on the part of Canada. Problems of internal security have arisen which have demanded increased governmental action and voluntary cooperation. The government has required additional powers for the mobilization of human and material resources. These powers in turn necessitate a nationwide registration which will permit of the most effective use being made of individual personal services and material resources.

The functions of the new department are not limited to the coordination and development of voluntary services. The direction and supervision of the national registration will be among the duties of the new ministry. In this connection, I should like to repeat that the government intends to make the fullest use, through the new department, of the register of women already prepared by the national committee for the voluntary registration of Canadian women. I might add that a good part of the preliminary work of organization in connection with the national registration has already been completed by a special inter-departmental committee, under the chairmanship of the Dominion Statistician, which committee was established immediately after the announcement of the government's intention to undertake the registration of manpower.

The powers of the new department will also include the co-ordination of existing governmental information and publicity services connected with the war, in order to insure that Canadians generally may be more completely informed of all aspects of our war effort, with a view to enlisting the maximum understanding and support of the great cause in which we are engaged. Speaking generally, the new department will have the function, as I have already said, of helping Canadians to help Canada in the effective prosecution of the national effort.

The all but complete cessation of new public works, other than those necessitated by the war, has led to a marked decrease of the work of the Department of Public Works.

With the transfer to the Department of Munitions and Supply of those branches of the Department of Transport concerned with airways, civil aviation, and radio broadcasting, the services of the Department of Transport will be also considerably reduced. It is proposed, therefore, to entrust to one minister instead of two, the administration of the Department of Public Works and the administration of the Department of Transport.

It will be observed that the undertaking to bring to the aid of the ministry a still larger number of men of outstanding ability and experience was not an undertaking specifically with reference to the cabinet, though it did not exclude changes or enlargement of the ministry itself.

It is perhaps not sufficiently realized that the functions of cabinet ministers, though very responsible, are necessarily limited. They must determine policy, make final decisions and accept responsibility, each individually for his own department, and all collectively for the administration generally.

The actual work of administration is, however, carried on by the officials in the public service. I have already shown that in making the extensive additions to the administrative service which have been required by wartime needs, the government has adopted the single criterion of ability. No political, partisan or personal considerations have diverted us from getting the most suitable man available for the particular job required to be done.

The filling of cabinet posts is a more complicated task that the filling of administrative posts. Ability to direct the work of the government departments concerned is, of course, an important requisite. It is, however, far from being the only one. A cabinet minister must also be prepared to assume his full share of responsibility for all acts of government, and for explaining the policies of the government to parliament and to the country. He must, of course, be a member of parliament. If he is not in parliament when he is called to the cabinet he must find a constituency and be elected in it. Above all he must have a capacity to work in immediate association with other ministers in the cabinet in the formulation of policy. Nothing would

paralyze government more quickly than divided counsels or dissension within the ministry.

That does not mean that narrow party considerations or, as some impatient critics are too eager to suggest, the dictates of "party politics" or of personal whim, govern the choice of ministers, particularly in war time. But it does mean that different qualities are required for effective work as a cabinet minister from those required in an administrative or executive post. It is a common experience to find that a business man is willing to make very great personal sacrifice in order to serve his country in an administrative capacity, but is exceedingly reluctant to enter the cabinet because a ministerial post involves election to parliament, public speaking and other activities for which he feels he has neither aptitude nor training.

Furthermore, the acceptance of a cabinet post involves a more complete severance of business and professional ties than is necessary in undertaking temporary administrative or advisory appointments. There is no business of any magnitude or importance in this country to which the war has not brought particular problems of its own. Highly placed executives may be spared by such concerns either in an executive or advisory capacity, for whole or part-time, without the risks attendant upon a complete severance of business relations such as would be involved in their entering the ministry.

If I ever had any doubt on this score, it has been removed by some of the steps I have recently taken in seeking to increase confidence in the disinterested motives of the ministry by bringing into the cabinet one or more persons whose inclusion would, I felt, have demonstrated the readiness of the government to meet, if that were possible, the wishes of members of political parties to have the basis of representation in the cabinet widened by the inclusion in the cabinet of persons known to command their confidence. It is an open secret that I have directly and indirectly offered to take into the ministry outstanding persons, none of whom are at present in public life, but whose presence in the ministry would, I believe, have made wholly apparent the readiness of my colleagues and myself to associate with ourselves in the work of the ministry persons whose appointment could in no sense be regarded as made from any party political motive, but only on the ground of the outstanding qualities the persons appointed were known to possess. Were I at liberty to give their names, I am sure that honourable members in all parts of the house would consider them among persons highly qualified to inspire confidence in the non-partisan character of the government's war effort.

I have found that those I approached felt that such special services as they could render could be given more effectively, either in administrative posts or in an advisory capacity or by their continuing to occupy an eminent and independent position in the community. The prevalence of this attitude was not the least of the reasons which led me to abandon the attempt to add to the cabinet from outside the ranks of those without previous experience of public life.

It is sometimes forgotten that the intimacy and prominence of the associations enjoyed with large enterprises are not infrequently a barrier rather than a passport to membership in a cabinet. The same consideration does not so generally apply where the services to be rendered are not concerned with the determining of policy but with its execution.

I have come to the conclusion that, for the present at least, the most effective use can be made of the services of men without previous experience of public life by bringing them into association with the ministry in an administrative or advisory capacity rather than by their inclusion in the ministry itself.

Advisory Committee to the Cabinet Considered

From like motives, I have also given consideration to the appointment of an advisory committee to the war committee of the cabinet which would include a limited number of persons chosen because of their prominence in representative fields of activity. To this proposal there are a number of objections, which, everything considered, appear to me to rob such a step of the advantages it might at first sight appear to possess.

In the first place, no matter what the political affiliations of members of such an advisory committee might be, the mere fact that they had been appointed by the government and had not sought or obtained any mark of public confidence from any section of the electorate, would tend to lessen their representative capacity in the eyes of the public.

They themselves might naturally feel that their power was not equal to the responsibility which they might be held to be assuming. Indeed, the objection on this score has been raised on the part of more than one with whom I have discussed the proposal.

The need for such a committee is itself more apparent than real, once it is realized that it is always possible for the government to obtain the benefit of the advice of those

best qualified to counsel in particular matters, apart altogether from any membership in an advisory body.

Business men and professional men of wide experience and high standing can always be consulted and are in fact continually being consulted by the government whether they are members of an administrative branch of government or not.

Associate Members of War Committee

Realizing the importance of increasing public confidence through bringing to the aid of the ministry all points of view and opinions, I have considered yet another means by which this end might possibly be attained. I have thought of inviting leading members of the opposition to become associate members of the war committee of the cabinet, to share its deliberations and to assist in the formation of its proposals to the cabinet. Regardless of what course may be adopted, the government itself must, in the last analysis, take the responsibility for whatever is done or left undone. That responsibility cannot be escaped or evaded. It is difficult even to share it. It would not be my idea, in case members of the opposition became associate members of the war committee of the cabinet, for the government by that means to seek in any way to evade full and final responsibility for Canada's war effort.

But the presence in an advisory and associate capacity of members of the opposition would have a number of advantages. While their addition to the war cabinet would leave unimpaired the requirements of responsible government, it would mean that the government's policies were being shaped and made effective not only under the open gaze of members of the opposition, but with the assistance of their counsel, experience and advice. It would mean that in all major matters of defence, internal security, international cooperation, the leading members of the opposition, chosen to act in association with members of the war cabinet, would be fully informed.

At the present time, one of the great difficulties of government lies in the fact that many matters of which the government has knowledge, many steps which the government takes, many actions which the government plans, are, in the very nature of things, highly confidential, and must remain so for varying periods of time. This obstacle would, in part at least, be overcome by the proposed associate membership of opposition leaders in the war committee of the cabinet, where, to its members, their experience, advice and point of view would certainly be of value. I believe that such a step would be of real assistance to the government in the discharge of its great responsibilities. I am therefore prepared to invite the leader of the opposition (Mr. Hanson), and the hon. member for Yale (Mr. Stirling), who shares his desk, and was a former Minister of National Defence, to become associate members of the war committee of the cabinet. Were the invitation accepted, it would be my wish that they should be present at all meetings of the war committee and take part in all its proceedings. I am prepared, also, if this invitation is accepted by my hon. friends opposite, and if it is agreeable to other political groups in the house, to consider the extension of the invitation also to their leaders.

If the house and the gentlemen whom I have invited look upon the proposal with favour, it would mean that the country would have the benefit of their wisdom, advice and experience, the government would retain the responsibility for the direction of Canada's war effort, with which it has been charged. It would also be understood that members of the various opposition groups in this house would continue to be free to criticize the administration as they think fit, and to vote and act with complete independence.

Conferences with the Opposition

If the hon. gentlemen opposite should feel that they were unable to accept the invitation I have just extended, believing that thereby they would be accepting a share of responsibility without being accorded an equivalent share of power, I am prepared to make yet another proposal, the acceptance of which, I should hope, would not occasion the slightest embarrassment and which I feel would be essentially helpful at this time.

As I have already said, much of the action of the government and even more of the information on which its actions are based must, for military reasons, remain secret.

This consideration hampers the government in the discussion of its policies and action in parliament and before the people.

We recognize that it is an even more serious embarrassment to those in opposition in war time. Their lack of knowledge makes effective criticism difficult; it has also a tendency to breed misgivings which need not exist if the facts could be made available.

I believe that this situation could be remedied at least in part while parliament is in session by regular weekly conferences between the war committee and the members of the opposition and by similar conferences held at intervals when parliament is not in session.

At such conferences the government will be prepared to disclose, in confidence, full and detailed information both as to its actions

and the considerations on which those actions are based. The effectiveness of the opposition, far from being impaired, will be greatly increased by the knowledge gained by their leaders by such conferences. Members of the opposition, as regards their rights of criticism, will have, as they have now, only the limits imposed by their personal sense of responsibility as citizens and members of parliament. From the standpoint of the public interest conferences of this kind would certainly have the merit of increasing confidence in Canada's war effort and thereby help to prevent the development of uneasiness which provides such a fertile ground for subtle enemy propaganda aimed at destroying the unity of that effort.

Let me now conclude with a word in reference to cabinet reconstruction. The acceptance, on Friday last, by Colonel J. L. Ralston of the portfolio of national defence was followed by Colonel Ralston's resignation as Minister of Finance. I am pleased to announce that the Hon. J. L. Ilsley, who, until to-day, was filling the office of Minister of National Revenue, has been appointed as Colonel Ralston's successor as Minister of Finance.

As hon. members are well aware, Mr. Ilsley, during recent years, whenever occasion required, has been the acting Minister of Finance. During the period of the illness of the former Minister of Finance, the Hon. Charles Dunning, and during Mr. Dunning's absence abroad, Mr. Ilsley ably presided over the affairs of the finance department. He is wholly familiar with its several activities; his ability as administrator in the years that he has been a member of the present cabinet has gained for him an enviable reputation in all parts of Canada. It is not a surprise, therefore, that public opinion generally, as reflected through the medium of the press, seemed to take it for granted, when it became known that Colonel Ralston had agreed to leave the Department of Finance for that of national defence, that Mr. Ilsley would be the logical successor.

Mr. Ilsley was sworn to his new office at noon to-day. In order that he may give his undivided attention, at this time of war, to the work of the Department of Finance, Mr. Ilsley has resigned as Minister of National Revenue.

Hon. members are aware that, in addition to his duties as Minister of Transport, the Hon. C. D. Howe has, since April 9, been at the head of the new Department of Munitions and Supply. Mr. Howe has to-day given up the portfolio of the Minister of Transport in order that, from now on, he may devote his entire time to the work of the Department of Munitions and Supply.

[Mr. Mackenzie King.]

I have referred to the contraction in the work of the Department of Public Works occasioned by the government's policy to restrict as largely as possible, during the period of the war, the construction of public works. I have also referred to the transfer of certain services from the Department of Transport to the Department of Munitions and Supply. As the services of each of these departments has been somewhat curtailed, it has been felt that the administration of both departments could be entrusted to the one minister. Accordingly Hon. P. J. A. Cardin, who is Minister of Public Works, has to-day been appointed Minister of Transport.

I am pleased to be able to announce that my colleague the Hon. J. G. Gardiner, the present Minister of Agriculture, has agreed, once the act creating the new Department of National War Services has been passed, to undertake the organization of that new and important department of government. I need not say anything of Mr. Gardiner's special qualifications for such a task. His long experience in public life, his exceptional organizing ablities, his power as administrator so effectively disclosed in the years of his premiership of the province of Saskatchewan, and as a federal minister, are all guarantees that the purpose of the new department will be promoted with zeal, energy and skill, and the department made one of the most effective instruments in a nation-wide furtherance of the war effort of our country.

Mr. Gardiner will become, when he assumes the office of Minister of National War Services, a member of the war committee of the cabinet. That his undivided energies and time may be given to the work of the new department, he will shortly vacate his present position as Minister of Agriculture.

I am particularly pleased to be able to announce that I have obtained from the Premier of Nova Scotia, the Hon. Angus Macdonald, the promise of his willingness to resign the premiership of the province of Nova Scotia, a position which he has held with such honour and distinction alike to his native province and to himself, and to accept, immediately upon the establishment of the new department, the portfolio of Minister of National Defence for Naval Services. In thus responding to my request to assist my colleagues and myself in the prosecution of Canada's war effort, Mr. Macdonald is giving to our country another example of devotion to public duty, and of a willingness to serve, which in the public mind are already associated with his name. In addition to bringing to his new post his proven administrative ability, Mr. Macdonald has had an experience of military affairs gained as an officer in the last

war. Such experience as will come with him to the council table will serve to strengthen not only his own, but all branches of the defence services.

It will be recalled that when Mr. Power accepted the portfolio of Minister of National Defence for Air, in order that he might give his entire time to the work of the Department of Defence, he resigned the position of Postmaster General, the affairs of which department have since been administered, as acting minister, by Mr. Ilsley. It is felt that the vacancy created in the office of Postmaster General by Mr. Power's resignation should now be filled.

I need not say to honourable members of the house and particularly to those who are numbered among my own supporters, that I have had few more difficult tasks than that of deciding to which of their number I should entrust the administration of the Post Office Department, and the administration of the Department of National Revenue.

The resignation, at the time of his appointment to the Senate, of the Hon. W. D. Euler as Minister of Trade and Commerce—a portfolio subsequently filled by the appointment to that position of the Hon. J. A. MacKinnon, as a Minister from Alberta—and the tragic death of the Hon. Norman Rogers, have deprived the province of Ontario of half of its representation in the government. It would, I am sure, be generally expected that, in the filling of existing vacancies, this representation of Ontario in the federal cabinet should be restored. At all events, my colleagues and I have so viewed the matter. That, however, has been the least of the difficulties. A much more perplexing problem has been that of making a choice from among the many honourable members from the province of Ontario who possess qualifications and claims for cabinet recognition. I have felt that, at this time of war, the citizens of Canada generally and in particular those of the province of Ontario would, other things being equal, welcome the appointment of members of this house who had seen active service in the last war, and who, on these as well as on other grounds, might be expected to bring valuable experience to the ministry in this most critical of all times.

Recommendations have accordingly been made to His Excellency the Governor General to-day, which his excellency has been pleased to approve, of the appointment of Colonel William Pate Mulock, of the city of Toronto, member for York North, as Postmaster General, and Colonel Colin Gibson, of the city of Hamilton, member for Hamilton West, as Minister of National Revenue.

I have given the house in considerable detail particulars of the manner in which the administrative functions of government have been extended and improved by attaching to the public service a large number of outstanding Canadians from all fields of industrial, financial and other endeavour. Each and every one has been chosen because it was considered that he was best able to advance the war effort of this country by specialized knowledge, and service based upon specialized education and experience.

I have offered to gentlemen opposite, in the only manner I have felt consistent with responsible government, an opportunity to share in our deliberations. By that invitation I have asked them also to give to the government the benefit of their wisdom and their experience. I have not asked them to share in our ultimate responsibilities because that would not be fair either to them or to the electors of this country.

I hope that my honourable friends will find themselves able to accept one or other of the proposals I have made. Whatever may be their decision I believe that I can at least make this claim on behalf of my colleagues and myself. We have not flinched from our primary and ultimate responsibility. We have not trimmed our sails to the breezes of popular favour or disfavour. While we have recognized our responsibility for policy, we have sought to obtain the best advice available in the country to assist us in its formation and pronouncement.

I leave this recital of facts with confidence to this house and the people of Canada. It tells its own story. It is the brief record of a government which, at a time of great peril in the affairs of the world, has done everything in its power to meet its responsibilities, to strengthen its administration, to mobilize the brain-power and resources of this country—in short, to do its plain duty, fully, honourably and fearlessly.

Hon. R. B. HANSON (Leader of the Opposition): We have listened this afternoon with the very closest attention to the extraordinary efforts of the Prime Minister (Mr. Mackenzie King) to bolster up in the minds of the people of Canada the shattered fortunes of his government. There are one or two personal matters to which I should like to allude at the very beginning. Towards the end of his speech the Prime Minister advocated the inclusion of certain gentlemen, myself and my colleague the hon. member for Yale (Mr. Stirling), who sits to my left, and possibly the leaders of other parties in this house, in a consultative capacity, as I understood it, in a war committee of the cabinet.

Mr. MACKENZIE KING: Associate members.

Mr. HANSON (York-Sunbury): Associate members. I may say to the house and the country that a week ago on Friday the Prime Minister, in the course of a private conversation, made some such suggestion to me. At that time I was just about to leave for my home and the matter was not more than touched upon. I had time only, with his permission, to intimate the subject matter of the proposal to my colleague, and there the matter has rested ever since, because I have been waiting for the Prime Minister to clarify the position if he wished to proceed with it. But until this afternoon I had heard nothing from him. I am just a little bit surprised that without any notice to me or to my colleague, the Prime Minister has publicly referred to the matter, which I consider to be of very great importance. I can only say to him at this time that such an offer as he suggested a week ago Friday, and more specifically stated, if I gathered aright what he said, this afternoon, is not one that I at least would lightly refuse at this critical time in Canada's history. Neither is it one that I think I ought to accept without the gravest reflection, because ever since I came to Ottawa to attend this session of parliament I have been seized with the gravity of the situation in Canada as affecting our war effort, particularly our effort to aid our mother country and to aid in the defence of Canada. I have never refused on any occasion, so far as I can recall, to cooperate with the government in the furtherance of their war effort, and I do not intend to begin now.

The house and the country will of course not expect me to deal at any considerable length with all the topics that the Prime Minister has referred to this afternoon. As I intimated at the opening, his statement strikes me as a valiant attempt on his part to stem the tide of adverse public opinion in the country against his government. Let there be no mistake about it; the fortunes of this government are badly shattered. Public opinion at the moment is running strongly against this government, and I suggest to the Prime Minister that public opinion in Canada has been looking for something far more than he has offered this afternoon. The statement he made, comprising upwards of 40 pages, was filled up with a recital of the various boards and administrative committees that the government has set up since the war opened, or at least since active participation in the war began. Hundreds of names have been put upon the record. They are the names of devoted Canadian citizens, many of them known to me personally, many of them well qualified to assist the government in this war effort. These men are acting and will act in an effort to aid this government to carry out Canada's duty in the premises as we know them. There is no doubt about their desire to assist, and with respect to many of them there is no doubt about their ability to do so. But that is not what the country has been looking for. I venture to assert that two-thirds of the Prime Minister's speech is just padding and nothing more. The only thing he omitted was to name the messengers and stenographers and office boys—and the new Minister of Agriculture.

However, let that be as it may. The Prime Minister did at the latter part of his speech refer to another important matter, and I am going to deal with it in a moment. But on the way let me tell the Prime Minister and the house what my reaction is to his statement. It is suggested by the English translation of a phrase from Horace's Ars Poetica: "The mountains are in labour, and a ridiculous mouse has been born."

That is my first reaction to the general scheme of things that the Prime Minister has suggested. As he has said, it is no secret that for weeks, at least since the middle of June, the Prime Minister has been endeavouring to bring into his cabinet men of national calibre and of the Conservative faith. I have known of these efforts, and I say to him and to the country that never at any time, by word or deed or letter or anything else, have I tried to put any obstacle in the way of his bringing these men in. So far as I can recall I communicated directly with only one of them, and he was not a Conservative. I merely asked him if he was going in, and he intimated that he had been invited but that he was not going in, and he gave his reasons. Some of these men are men of national prominence; some are not so prominent. But they would not go in because the Prime Minister made it impossible for them to go in.

Mr. POULIOT: Hear, hear.

Mr. HANSON (York-Sunbury): The Prime Minister made it impossible. When? On the evening of Thursday, June 20 last, when I was referring to the question of national service, the strengthening of the cabinet and the establishing of a national government. The Prime Minister made a speech in reply which I think upon mature reflection he will regret the rest of his life. It is comparable in my opinion to the "five-cent" speech which he made just prior to the 1930 election, and which had such a damaging effect upon his fortunes when he went to the country that year. The statement which the Prime Minister made on the occasion to which I

refer meant only one thing, namely that despite the fact that Canada is at war, despite the emergency now confronting this country, the Prime Minister is still thinking in terms of party power, his own personal position and the stability of his personal leadership.

On that occasion to my utter surprise the right hon. gentleman laid down two conditions which he said would govern future cabinet reorganization and leadership—and I may interject that to-day he has shown himself true to that statement. He said, referring to myself:

I hope he will not ask me as the leader of the administration to accept as a colleague any of those in the front benches before me who have said that they thought I was quite unqualified to be the leader of a government at the present time.

Of course that was said in a moment of personal pique. The second declaration of principle was this—and I want to direct particular attention to it, because it is a statement of a new principle in constitutional government in Canada. He said:

When I take into the administration additional gentlemen in order to strengthen it, one of the first qualifications which I shall require of them, as of anyone else, is loyalty to myself—

Some hon. MEMBERS: Hear, hear.

Mr. HANSON (York-Sunbury): All right; hon. gentlemen may applaud that statement of principle, but I suggest to them that that is not the true principle upon which the safety of the state should be based at this time.

Mr. MACKENZIE KING: Does my hon. friend suggest that a prime minister should take into his cabinet someone who is known to be personally disloyal to him?

Mr. HANSON (York-Sunbury): If the Prime Minister will just possess himself in patience and hear my argument I am sure in his heart he will agree with it.

—and not a disposition to stab the leader of the party in his breast when he is trying to serve his country to the best of his ability at a time of war.

That is a statement which I think the Prime Minister will regret—

Some hon. MEMBERS: No, never.

Mr. HANSON (York-Sunbury): —and which his biographer, when the time comes to write that monumental work, will have a great deal of difficulty in explaining. In my humble opinion in making that statement the Prime Minister immediately made any union government, any government including members of other parties or any national government, impossible under him.

Mr. POULIOT: Hear, hear.

Mr. HANSON (York-Sunbury): That may be satisfactory to hon. gentlemen opposite but it will not be satisfactory to the people of Canada. May I suggest to the house and to the country that under similar circumstances Mr. Neville Chamberlain never would have invited Mr. Winston Churchill into his government; and if that principle had prevailed when Mr. Chamberlain resigned and Mr. Churchill became Prime Minister of the United Kingdom, certainly he never would have invited Mr. Attlee and the leaders of the labour party in England to become members of his government.

Mr. MACKENZIE KING: May I say to my hon. friend that they never would have gone in, if they had not believed they could be loyal to the leader of the government.

Mr. HANSON (York-Sunbury): If the right hon. gentleman will just possess himself in patience and hear me out I think I may be able to lay down what I believe to be the correct principle that should guide him, but which evidently has not guided him. I suggest to the Prime Minister, to the house and to the people of Canada—because I hope I am speaking to the great mass of the public of Canada to-day—that the proper course for any prime minister to pursue in seeking to strengthen his cabinet is to invite into it the men who are best able to serve their country.

An hon. MEMBER: That is what he has done.

Mr. HANSON (York-Sunbury): That may be so, but you will allow me to have my views about it. I do not want to say anything harsh about anybody but I suggest as the first consideration that he should invite into the cabinet the men best able to serve the state. Once they have joined the ministry the usual rule of cabinet solidarity must prevail. Ministers thus brought in would have full opportunity at the council table to work out policies in conjunction with other members of the government; and, mark you, they must abide by the decision of the cabinet, of course after proper consideration and reflection. They are bound to the cabinet, not to the Prime Minister. That is the thesis I want to lay down to-day, that their duty and service is to the country, not to the Prime Minister.

Mr. MACKENZIE KING: Is the Prime Minister not a member of the cabinet?

Mr. HANSON (York-Sunbury): If my right hon. friend will just possess himself in patience no doubt there will be other opportunities for him to reply. Just at the moment I have the floor, and I intend to keep it.

I suggest that if gentlemen brought into the cabinet refuse to follow that course of action and are not loyal to the principle of cabinet solidarity, which means loyalty to the Prime Minister, then they must depart. If you want an example in history let us go back to 1901 or 1902, when Mr. Tarte was forced to resign from the government because, forsooth, he went out and preached a policy of protection in the absence of Sir Wilfrid Laurier. I could think of other instances in which that same principle and rule prevailed.

So much for the one part of this thesis. The second condition imposed by my right hon. friend, which I have quoted, that of personal loyalty to himself and to his own personal leadership, came to me at least, as I think it must have come to all students of parliamentary government in Canada, as a severe shock. It can be interpreted only as meaning that the Prime Minister is placing his own political safety above the safety of the state.

Some hon. MEMBERS: Shame!

Mr. HANSON (York-Sunbury): That is my interpretation of the Prime Minister's position; you may have your own interpretation, but I have stated my view in parliamentary language as I have the right to do. The right hon. gentleman's statement further assumes that men would join his government in order to lead a palace revolution, without any intention of being loyal to the government of which they were to become members. No gentleman would undertake to do a thing like that. No one who was even suspect would be invited to join a government under those circumstances, so I suggest that is merely a figment of the Prime Minister's imagination. This declaration further means, if it means anything, that any person entering the cabinet under the Prime Minister not only must pledge himself to support the right hon. gentleman personally and to support the political party of which he is the leader, but he must do so regardless of the character of the war leadership given by the Prime Minister. That is what this country wants above everything else, and you cannot give it by a mere shuffling of the cards such as we got to-day. It is my opinion, and I think the mature opinion of all students of public affairs in Canada, that these two statements can have no other effect but to advance materially the date of the Prime Minister's retirement.

I have but little more to say, Mr. Speaker. I had not intended to discuss the names that have been brought forward, but perhaps I should make some reference to them. I have termed the Prime Minister's action a reshuffling of the deck, but I am glad to say there is one notable exception. I believe the premier of Nova Scotia is a cultured gentleman, belonging to that class in the community which for a long time the Prime Minister has been wont to cultivate, the college professor. I have no quarrel at all with that class. If I were beginning *de novo* to form a government I am not at all sure that I would include one of these gentlemen in my cabinet, but Mr. Macdonald, whom I know very slightly indeed, has proved himself to be a gentleman, as I have said, and he will be a welcome addition to this chamber. He has had no experience in connection with naval affairs, but I have no doubt he will master that subject thoroughly. One thing I can tell the house and the country, as one maritimer speaking of another, is that he will make a splendid appeal to the patriotism of people of Canada. I am sure no one will ever question the solid Celtic character of the premier of Nova Scotia at any time. I do not know that I could pay him a finer compliment. We must wait and see what his performance will be.

With respect to the other changes in the government I think I should mention the transfer of the Minister of Agriculture to the portfolio of war services. If I am correctly informed, during the election campaign or at some time anterior to the summoning of this session of parliament, the hon. gentleman laid down the principle of a middle of the road contribution in connection with our war effort.

Mr. GARDINER: Mr. Speaker, without referring to me by name the leader of the opposition made a similar reference during the debate on the address in reply to the speech from the throne. That reference is not in accordance with the facts. Anyone who knows me knows that I am not a half-way man on anything.

Mr. HANSON (York-Sunbury): Then may I put it in this way, that if the Minister of Agriculture made that declaration with regard to a half-way policy, as reported in the press, I hope the trend of events and the force of circumstances—

Mr. GOLDING: Don't forget—

Mr. HANSON (York-Sunbury): Will the hon. member from the brushwood country please keep quiet for a little while? I hope the Minister of Agriculture, in his new portfolio, will forget that he ever said that, if he did say it—and if he says he did not say it, of course I accept his word. I hope that as a minister of war services we shall have from him all the energy of which I believe he is capable in aiding and assisting Canada in her war effort. I shall be glad to help him whenever possible.

Mr. BROOKS: Directed in the proper channels.

Mr. GOLDING: Don't forget that he had four brothers put out of action in the last war.

Mr. HANSON (York-Sunbury): I wish the hon. member from the brushwood country would keep quiet.

I have not very much more to say, because I could not begin to cover all the topics to which the Prime Minister has referred this afternoon. But in my opinion in failing to bring in any new blood of a real national character, aside from the one notable exception to which I have alluded, the Prime Minister has demonstrated the mistake which he made during the late election campaign. If I read his speeches rightly he then announced that the cabinet held all the available talent, and that any suggestion that better brains could be found elsewhere was ridiculous. That is the effect of the Prime Minister's campaign speeches. Of course it was a great exaggeration.

An hon. MEMBER: It worked.

Mr. HANSON (York-Sunbury): That is the justification offered by hon. members opposite. Nothing succeeds like success, whether it is based upon principle or not. Well, I disagree entirely with that point of view.

Unfortunately when faced with the greatest opportunity ever given a Canadian statesman the Prime Minister has permitted, in my judgment, too close a devotion to a narrow party spirit to lead him to neglect my well-intentioned suggestions for the creation of a truly national government, and in effect has announced to-day that he will continue to place loyalty to a party name in too prominent a place in his decision. That is the effect of to-day's announcement. Whether or not it has been brought about by *force majeure* I do not know. I believe he did make an attempt to bring gentlemen in from outside, and failed to do so. He failed for the reasons I have indicated. They felt that if they came into this government they would have to take the classification of Liberals, and they were not going to do that in a time of national peril for Canada. Why should they?

It is with the greatest regret that I have learned of the Prime Minister's unalterable determination to continue a partisan government. Neither my colleagues nor myself have any personal ambitions to share the responsibilities, or, shall I say, the temptations of power at this time. We might possibly have accepted a call to duty from the Prime Minister. At least we would have given it our most serious consideration—although in my own case I would have had to give it the most careful consideration—on account of personal, not public reasons. But I want to make it clear to the house that my suggestion for a national government assumed a wider basis even than the inclusion of the Conservative party, which still commands the support of nearly half the people in Canada. Perhaps to-day, nearly four months after the election, it commands an even greater proportion of the support of the people of Canada.

The Prime Minister, however, has made his decision. We shall accept it with regret, and we shall continue a course of cooperation with the government, tempered by constructive criticism, and urging the Prime Minister to speed up the war activities of Canada. I am now offering a renewed pledge of willingness to cooperate for the national good.

Not only will the Prime Minister's decision to continue party politics not affect our readiness to cooperate in expediting war measures, but when, as will soon be the case, the Prime Minister finds himself forced by the pressure of public opinion, and probably by the advice of the saner members of his own party, to admit his failure at cabinet repairing, and undertakes a real cabinet rebuilding, then we shall be, as we are now, ready to assist him to undo his present mistake.

One further word, and I shall have finished. What this country needs, what it has needed since we declared war, and what it has needed increasingly since war was declared, is leadership—leadership of the highest character; leadership which has not been in evidence since September; leadership which cannot be given under the party system; leadership which for the safety of the state may and undoubtedly will shatter party organization and be disregardful of party shibboleths: leadership which will be national and in the highest degree constructive. Nothing short of that will do, in my humble opinion. It cannot be given by the Prime Minister under the party system, when even the safety of the state may be sacrificed to party expediency.

Well, supported as he is by a huge majority in the chamber—

An hon. MEMBER: And in the country.

Mr. HANSON (York-Sunbury): I deny that. If the hon. member does not believe me, just let him read his own party press, at times. That is the best answer I can give him. This leadership will come, I am sure. The trend of tragic events may force it sooner than we think. Only a government representative of all the people should lead this nation in war time.

Mr. POULIOT: Speaking for us also!

Mr. HANSON (York-Sunbury): If the Prime Minister will not do these things, then the voice of the nation will demand another

prime minister who will disregard party and his own personal prestige and save this country from disaster. I calmly await the verdict of time and events.

Hon. GROTE STIRLING (Yale): Mr. Speaker—

Mr. POULIOT: Mr. Speaker, I rise to a point of order.

Mr. STIRLING: A question of privilege.

Mr. POULIOT: There is nothing before the house. This is not a free-for-all for members. Is there anything before the house? If there is nothing I will ask the hon. member for Yale (Mr. Stirling) to sit down. I have raised a point of order. Will you please tell him to sit down, and then decide if there is anything before the house?

Mr. SPEAKER: As the hon. member has said, there is nothing before the house.

Mr. HANSON (York-Sunbury): It is a question of privilege on the part of the hon. member for Yale.

Mr. SPEAKER: A statement was made by the Prime Minister (Mr. Mackenzie King), and, as is the custom, the Leader of the Opposition (Mr. Hanson) was permitted the right to reply. The hon. member for Yale (Mr. Stirling) has been referred to by name, and I think he now has a right to speak. I will point out however that I do not propose that this should be a free subject of discussion from all parts of the house. I noticed the hon. member for Rosetown-Biggar (Mr. Coldwell) rose to speak, and I should think he would be entitled to do so; on the other hand I do not believe all hon. members would have that right.

Mr. STIRLING: It was for that very reason, Mr. Speaker, that I rose to speak to a question of privilege. I had not had time to make the observation before the hon. member for Temiscouata (Mr. Pouliot) rose.

Under circumstances which appear to me most extraordinary the Prime Minister (Mr. Mackenzie King) has made allusions to me. He had made no reference to me before. It is true, as my leader remarked, that on the eve of his leaving Ottawa for a few days something of the sort was mentioned; but never did it occur to me for a minute that I should find myself in the position of receiving what is virtually an invitation from the government to become some sort of partial colleague of it under these circumstances. At the moment I have not before me the words which the Prime Minister used, and it would be extremely unwise for me to go any further into the matter to-day. I must read what the Prime Minister said, and further I must look to the right hon. gentleman to give a full and ample explanation of just what it is he has in mind in laying an invitation of this kind before my leader and myself. If he will be good enough to elaborate his suggestion we shall then be able to give it the consideration it merits.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, I listened with a great deal of interest to the statement of the Prime Minister (Mr. Mackenzie King) this afternoon. It was the very first intimation I had received of his suggestions—the alternatives of associate membership in the war committee of the cabinet, or regular weekly conferences to bring about a better understanding of Canada's war effort. The invitation to this group contained in the Prime Minister's statement was, as I understood it, conditional upon acceptance of the same invitation by the hon. leader of the opposition (Mr. Hanson) and the hon. member for Yale (Mr. Stirling). Therefore my answer must in some degree depend upon their decision, but also, and more important, upon the decision of the members who are associated with me here. We are essentially a democratic organization, and any course of action which might be taken by myself either as acting leader of the group or by our leader should he be able to return to the house, would depend upon the decision of the membership of our organization here. But there are one or two things I should like to say now.

We believe that to bring the war to a successful conclusion will involve more than we are doing at present. I should like to see the people of Canada enthusiastically behind a determined effort to defeat fascism in every form in our own country and throughout the world.

Mr. MARTIN: They are; there is no question about that.

Mr. COLDWELL: Yesterday I listened to interesting and important speeches over the radio. One of them was from Great Britain. I listened to a rebroadcast of Mr. J. B. Priestley's address from England last night over our Canadian system. In his speech he confessed that one of the chief difficulties that face the British people at the present time in marshalling the great national effort that will be required to bring victory, is that the Chamberlain government had not sufficiently informed the people of Great Britain of their intentions when this war ends—not as to the making of peace, but in giving the people of Great Britain improved conditions for which they might fight enthusiastically.

Mr. Watson Thompson, of the university of Alberta, speaking earlier in the day, expressed much the same thought with respect to our own Dominion of Canada. In my opinion, Mr. Speaker, any committee assisting the government in the conduct of the war in an advisory capacity ought to consider also ways and means of placing before our people the manner in which we may expect to see the grave defects in our economic structure remedied when this war ends. And that should begin at once.

I listened with attention to the long list of distinguished persons to whom the Prime Minister referred as members of various war boards and committees. As I listened I thought of the new act to mobilize industry and man-power for our war effort, and I thought there was danger that the question before us might be, not that of the government mobilizing industry, but that of industry controlling the government when the war ends. I did not hear the names of many men on the committees representing the workers' point of view, and I heard fewer representing the farmers' viewpoint. Even on the bacon board I noticed several names connected with Canada Packers and other packing organizations. I want to impress upon the Prime Minister, and I am not saying this in any spirit of carping criticism, that in my opinion the winning of the war will require the combined effort of all our people; the only way in which we can get that combined effort is to give our people confidence in the kind of leadership that we are getting behind all these boards and committees, and we must see to it that the consumer, the working man and the farmer, are adequately and properly represented. As I listened I thought that the war boards and committees savoured too much of big business to satisfy the masses of the Canadian people.

One other thing. I agree with the Prime Minister that steps should be taken to the end that in all parts of this house we may be better informed on our war effort, on our defences, and as to the grave situations that may confront us in the future. The Prime Minister, as we have said before, will find this group critical, as we have always been, of the leadership that was given up to the outbreak of the war and until recently. We were glad to see the change of government in Great Britain because we felt that the Conservative member who rose in the House of Commons and said to Mr. Chamberlain, "In God's name, go", was speaking for a large number of English-speaking people throughout the world.

An hon. MEMBER: It was Lloyd George who said that.

Mr. COLDWELL: No, it was Right Hon. L. S. Amery. I would say to the Prime Minister this afternoon that we must marshal our people in a great effort, and in order to do that our people must be properly informed. Little incidents sometimes weaken confidence. Yesterday afternoon I listened to the glorious music over the Columbia chain, and in the middle the concert was interrupted with the announcement "Flash! A bulletin from the navy department at Washington." Canadian radio connections were immediately cut and a few bars of unrelated music intervened. In a few moments the Canadian announcer said, "We will now resume the programme which was interrupted". The flash I knew was simply that the American destroyer which had been reported torpedoed earlier was safe. But that kind of thing makes our people feel that they are being kept in the dark, just as France was kept in the dark with the results that we have seen in the last few weeks.

I assure the Prime Minister that when we know the decision of the leader of the opposition and the member for Yale the group with which I am associated will consider his invitation very carefully and give the decision which we consider to be in the best interests of the country at this time.

Mr. J. H. BLACKMORE (Lethbridge): Mr. Speaker, the offer which the Prime Minister (Mr. Mackenzie King) has made should be, and must be, one of great importance to the country. In the light of that fact it is somewhat surprising that we have not heard anything about it before. To me it comes like a bolt from the blue.

The proposal requires careful consideration. From the words of the Prime Minister I gather that there is no certainty as to the significance of the offer. It is impossible for me to form anything like an accurate picture of its implications or of what responsibility or opportunity for service is involved should we accept. We shall have to know something with regard to the details before I will be in a position to make any statement whatsoever. It has been a guiding motto of mine for a good many years that I neither seek nor shirk responsibility. I think I will repeat that now: I neither seek nor shirk responsibility. I am sure that that is true of our group. Our one guiding thought is our country's welfare; to that end we will gladly do anything to cooperate with the Prime Minister. But I prefer to leave the matter open so that we can learn more from the Prime Minister as to just what his proposal involves.

Mr. MACKENZIE KING: Mr. Speaker, I might say just a word or two in reply to hon. gentlemen who have spoken.

First of all, with respect to the invitation which I have extended to the leader of the opposition (Mr. Hanson), to his colleague (Mr. Stirling), and, in a conditional manner, to the leaders of the other groups; let me say that I am obliged to each of them in turn for having made perfectly clear that there was no discussion of this important matter with any of them until the offer was openly made in the presence of all hon. members of this house this afternoon. I did mention to the leader of the opposition, as he has said, about a week ago, that I had in mind making the proposal which I made to-day. I thought that was a courtesy due to him, that he would wish to be turning the matter over in his mind; but more than that I did not think it was advisable for me to say to him until opportunity came to make the exact proposal in unmistakable language in the presence of all hon. members of this House of Commons. That was my reason for not having had a further conference with him.

Hon. members know that conferences conducted privately often give rise to different interpretations and meanings. Had I sought to confer in detail with my hon. friend as to just what was proposed, he might have received one impression, I might have had another. I was careful, therefore, to put in the statement which I have given to the house exactly what the proposal was, and what it would and would not involve in the way of either responsibility or lack of responsibility on the part of others and responsibility or lack of responsibility on the part of myself. That course was taken deliberately, and I think it was the right course. As I say, it was not from any discourtesy that I did not discuss the matter further with my hon. friend the leader of the opposition or say a word to my hon. friend the member for Yale about his name being included. As I have made quite clear, it is included because he is an immediate associate of my hon. friend the hon. leader of the opposition, is an ex-Minister of National Defence and, like his leader, a member of the privy council, and I felt that it would be generally recognized as appropriate to include his name in making the proposal I did.

Now may I say to my hon. friends of the other groups that, in extending the invitation in the way I did, I also deliberately made their inclusion conditional upon the leader of the opposition accepting the invitation. I did so for this reason, that, unless the leader of the opposition were a member of the war committee of the cabinet, I doubt very much whether the purpose which it is primarily intended to serve by the association of opposition members with the war committee would be met. I believe my hon. friends will be the first to see that in taking that course I was saving them some embarrassment as well as saving embarrassment to the official opposition and to the government.

I should like to avail myself of this opportunity to say a word about the relations of a government and an opposition. I do think that, under our parliamentary system—and we are realizing it more than ever in these times when very heavy responsibilities rest upon the ministry—a government has to take responsibility, and assume that those who are not with us are against us. Broadly speaking, the only manner in which to carry on parliamentary discussion is on the assumption that there is a government and an opposition, not more than one government and not two or three or half a dozen oppositions. My conception of the British parliamentary system of government is that the official opposition is the body which is looked to for the expression of the opposing view held by hon. members who sit on the side opposite the administration. That does not preclude others from taking, if they so desire, an attitude of opposition, but also they are free to take if they so desire an attitude of support and equally of cooperation. It does, however, become almost essential that in matters of responsibility, negotiations where they relate to opposite sides of the house must first be between the Prime Minister and the leader of the opposition. May I add a further reason—parliament itself has recognized the leader of the opposition as an officer of the House of Commons. He is a salaried official of the house, he has been given by act of parliament a special status, and he is thereby entitled to recognition which others, no matter how large or how small their particular groups may be, are not accorded.

I did not except that even my hon. friend the leader of the opposition, despite the intimation I gave him some days ago, would attempt to make any final answer to-day to the invitation which I extended to him. I felt that he would wish to give the matter very careful consideration and to confer with members of his own party. I made the statement to-day so that it would be before him and all hon. members on the pages of *Hansard* to-morrow; and at such time as hon. gentlemen may find it convenient to do so I shall be glad to receive from them whatever reply they desire to make. Indeed I should be very glad—I imagine the house would rather expect it—if the reply were made on the floor of parlia-

ment in the presence of all hon. members, just as the offer itself has been made. If there is any lack of understanding as to its implications, all can be made perfectly clear in the discussion in this chamber.

I can assure hon. members that in this, as in every other act which I have performed in the office I now hold, since this parliament met, I have had but one motive, and that is to do what in the circumstances seemed best with a view to effecting as far as possible cooperative effort by all parties to further to the utmost of our ability Canada's prosecution of the war.

As to the references, in what I said here the other evening, to the question of loyalty to myself, may I make it perfectly clear, as I think any person reading *Hansard* will see, that such references were not to myself personally, but to myself in the official position of Prime Minister of Canada; that I was then alluding to any one who might be holding the office of prime minister and what would be expected of and toward him in that capacity. I should like, now, at all events, to make that perfectly clear. Looking at the pages of *Hansard* I find that on the evening I made the reference which has been quoted there are other passages in which I refer to myself and to the very question of loyalty which I have always believed was an important relationship to observe in all public affairs. I find I made this statement:

> As Prime Minister I propose to exercise to the full the authority given to me to select men in whom not only I have confidence but who I believe will serve to increase the confidence in the administration existing throughout the country; and I shall not be influenced in the making of that choice by other than my sense of profound duty in this grave situation.

I there prefaced the sentence with the observation that I was speaking as Prime Minister; and I was speaking not only for myself but for anyone else who might occupy my present office at any particular time. Anyone with the slightest experience of government will appreciate how impossible the situation would be if any Prime Minister, no matter who he might be, were to take into the cabinet men who had no confidence in his leadership and were not prepared to give him their full loyalty. My hon. friend has given his statement of the kind of relationship which he thinks should govern in these matters. I will give him mine. I do not think the two are far apart. No Prime Minister with a proper sense of his constitutional responsibilities would think of demanding of his colleagues an unconditional pledge of personal loyalty to himself in all circumstances. Every minister has a right, indeed a duty, to withdraw his confidence from the Prime Minister if he believes his loyalty to the Prime Minister conflicts with his duty to his country; but he has no right to remain in the cabinet once he has lost confidence in the Prime Minister. It is his clear duty to resign immediately. The very foundation of responsible government is mutual confidence within the cabinet. Every minister must be loyal to his colleagues, and all must be loyal to the Prime Minister. The Prime Minister himself has the same obligation of loyalty to his colleagues. These, I know, are accepted constitutional principles, and I stress them only because there has been a tendency to interpret words, which I used in my official capacity as Prime Minister, in a narrow personal sense which they were never intended to have. I am sure that anyone who had not confidence in a political leader would be guilty of personal disloyalty to himself if he entered a cabinet with that conviction. It could hardly be imagined that loyalty to others would be expected of one who was disloyal to one's own self. I cannot see how, in pointing out that loyalty lies at the essence of relationships of the character that belong to a cabinet, I have done other than express what, particularly in a time of war, is a most important principle to observe.

May I put this to my hon. friend so that there may be no misunderstanding. The antithesis of loyalty is disloyalty. Instead of saying I would expect personal loyalty to the Prime Minister, I might have expressed it the other way—I might have said I would not think that any member would be justified either in accepting office in a government or in remaining in a government, if he himself was disloyal to, or believed he could not be loyal to, the head of the administration. That is the extent of the meaning of the words I used the other night.

Now as to what was said with respect to changes in the administration, I am sorry that my hon. friend has not appreciated what has been accomplished more than he has, but I would point this out to him. It is now scarcely four months since the present administration received its verdict from the people of Canada. There was no concealment during the months of the general election of the personnel of the cabinet, or of its policies, or of the fact that we were in the midst of a great war and that it was certain, the moment the elections were over, or very shortly thereafter, that there would be an intensification of the war in the European scene. All that was carefully and fully presented to the people. Everything that could possibly be said against the administration by its opponents was said; all that could possibly have been urged on behalf of the men best fitted to carry on the

government was put forward; the public heard every argument pro and con with respect to this administration. They returned the administration by an overwhelming majority, thereby placing upon the shoulders of its members a great responsibility and, particularly upon the shoulders of its leader, the Prime Minister, a great trust. That trust I am proud to have had bestowed and I propose to uphold it, and to uphold it in terms of representative and responsible government.

TREACHERY ACT

PROVISION OF PENALTIES FOR GIVING ASSISTANCE TO THE ENEMY

Right Hon. ERNEST LAPOINTE (Minister of Justice) moved for leave to introduce Bill No. 73, respecting treachery.

He said: This bill embodies the recommendations of the committee whose report has been submitted to the house. A draft of the bill is printed in the votes and proceedings of July 2. It relates to treason and other offences during the war.

Mr. HANSON (York-Sunbury): It is exactly the same bill?

Mr. LAPOINTE (Quebec East): Yes.

Mr. HANSON (York-Sunbury): Is it considered urgent, or shall we take it up after the budget resolutions?

Mr. LAPOINTE (Quebec East): I have not considered the question, but we might deal with it when it is printed and distributed, if my hon. friend agrees.

Mr. HANSON (York-Sunbury): I have a one-track mind and I can do only one thing at a time. I was ready to go on with the budget resolutions and I should like to have a little more time to study the bill.

Motion agreed to and bill read the first time.

NATIONAL DEFENCE

APPOINTMENT OF ADDITIONAL MINISTERS AND DEPUTY MINISTERS FOR MILITARY, NAVAL AND AIR SERVICES

Right Hon. W. L. MACKENZIE KING (Prime Minister): May I ask my hon. friend the leader of the opposition (Mr. Hanson) and other members of the house whether they would be agreeable to my having permission to introduce the resolution on which is based the bill to be introduced to amend the Department of National Defence Act so as to allow of the establishment of a department of naval services. The resolution could be put through its stages to-day and the bill introduced so that it might be before hon. members for discussion to-morrow. It has no controversial features. The bill is necessary to make provision for the establishment of a new portfolio of defence for naval services.

Mr. HANSON (York-Sunbury): I should think that would be quite all right.

Mr. MACKENZIE KING: I move that the house go into committee to consider the following resolution:

That it is expedient to introduce an act to provide for the appointment of additional Ministers of National Defence as, an Associate Minister of National Defence, a Minister of National Defence for Naval Services, and a Minister of National Defence for Air, each at the same salary as the Minister of National Defence, to deal with matters relating to national defence, to the naval service and to the air service, respectively, and also for the appointment of additional deputy ministers for the military, naval and air services, respectively.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the favourable consideration of the house.

Motion agreed to and the house went into committee, Mr. Fournier (Hull) in the chair.

Mr. STIRLING: May I ask the Prime Minister whether there will also be a bill setting up the ministry of services?

Mr. MACKENZIE KING: Yes.

Mr. STIRLING: That is yet to come?

Mr. MACKENZIE KING: Yes.

Mr. POULIOT: May I point out that we have spent two and a half hours in what could have been done in five minutes. There was a lengthy announcement, a virulent answer, and then some serene speeches from the hon. member for Yale and other hon. gentlemen, leaders of groups. I find that the leader of the opposition is treated like a spoiled child. I remember the time when the present Prime Minister was leader of the opposition and he was bullied by Mr. Bennett every time he wanted to make an observation. Are we now to be ruled by the leader of the opposition? I understand the war has made some progress on the wrong side—

The ACTING CHAIRMAN (Mr. Fournier, Hull): Order. I would point out to the hon. gentleman that what he is saying is not relevant to the resolution.

Mr. POULIOT: I thank you, Mr. Chairman, for your observation, but I point out that I am discussing the importance of increasing the

cabinet, and therefore my observations are strictly in order. I have not the least objection to the selection of those who were named by the Prime Minister two hours ago; I congratulate them most sincerely. I believe they are very good men, and I had an opportunity to congratulate personally three new nominees, who are most capable. But what I say is that I disapprove entirely the tactics employed by the leader of the opposition to increase the cabinet. Continuing on that argument I am just as strong as Samson when he had in his hand—

Mr. DOUGLAS (Weyburn): The jaw-bone of an ass.

Mr. POULIOT: Yes. Therefore, sir, having the most formidable weapon that one could think of, I think I may continue my argument without being interrupted, and I hope, sir, that you will call to order anyone who dares to interrupt me when I am in order like that.

The leader of the opposition has suggested an increase in the cabinet, and now that we have it, he is not satisfied with it. He wants more people, he wants another motion, he is not satisfied with that motion—and I call your attention, sir, to the fact that this is strictly in order—he wants another one, and when we shall have another one, if we do not select Arthur Meighen or Herbert Bruce or some of those Tories over there he will always scream, he will never be satisfied. That is my point.

There is another thing that I regret—

Mr. ADAMSON: Order.

Mr. POULIOT: The hon. member has a great deal to learn before calling me to order. If he will confine himself to reading his newspaper, although he will not learn the rules, he will learn the news at least.

Mr. ADAMSON: I think the hon. member was out of order in mentioning another hon. member by name.

Mr. POULIOT: Then I shall call him Koko, the Lord High Executioner in the Mikado, and the hon. gentleman himself can be Pooh-bah, Lord High Everything-Else, according to Gilbert and Sullivan. Now, Mr. Chairman, you see how difficult it is to try to reason with people who are so jumpy as the hon. member for York West. We are here to discuss a most serious question, and leaving aside all the names of those who would be or who are ministers in petto, as it is said of those who have high ambitions, I must tell the government that I am not very fond of the idea of taking the leader of the opposition into confidence. There are 182 Liberal members in this house, and those Liberal members are the buffers or shock-absorbers of the government. When something is unsatisfactory to the people we are the ones who are told that. The conferences between this one and that one may be of importance, but the people of my constituency, and the people of my province at large do not, I know, hear of that without the greatest fear. We do not want anything to be done behind the curtain, we want open talk. If the Prime Minister has to speak to the leader of the opposition he has only to use the language that I used to the Right Hon. R. B. Bennett when he was Prime Minister. I did not speak to him in private, I spoke to him across the floor of the house. Why should the Prime Minister have more confidence in the leader of the opposition than in any one of his supporters?

I would also point out that there is such a thing as ministerial responsibility. The Prime Minister is the leader of the government. He expects his ministers to be loyal to him; that is the rule, if a minister is not loyal to the Prime Minister, then he has only one thing to do, namely, to resign. If the ministers cannot share common views or have an average common view, then it is "Good-bye sir"; he goes away. I have sworn allegiance to His Majesty the King, and I keep my oath, but that does not mean that I am to abdicate my mind, my principles, my views, for flattery in the name of loyalty. I pay compliments sometimes, but I cannot be a flatterer, I despise flattery. If some gentlemen are anxious to receive flattery from anybody, they will never get it from me. Moreover, sir, I do not see why one asks for loyalty. Loyalty is something that is so natural that it need not be mentioned. That a man is loyal means that he is an honest citizen, a loyal citizen. But to become the slave of any man or of any power one must abdicate his own personality and cease to be a free citizen. And if there is any place where freedom of speech should prevail to the utmost it is right here in the House of Commons of Canada. Moreover, a supporter of this government is a free man who has deliberately decided to support it, as those who oppose the government are equally free to entertain those views which they believe to be in the best interests of the country. I am not a school boy to be lectured by anyone. Furthermore I believe I am one of the last remaining Liberals of the old tradition in this House of Commons.

What is Liberalism? It is all that is highest in a man. It is his freedom—freedom of mind, freedom of speech and freedom of action.

What is the next principle of Liberalism? It is decentralization. What is the third principle? It is that the government shall control big business and not be controlled by it. That is the point. We are here at immense sacrifice, Mr. Chairman, and if I did not spend the week-ends in the delightful province of Quebec and the county of Témiscouata, where I live, I never would have the courage to sit here week after week. But I get inspiration from the people I have the pleasure of meeting and from the beautiful scenery I see when I visit my constituency. That is why I have always been free here, and no man impresses me except by his merit. In this country it seems natural that the position should make the man, not that the man should make the position. We see that everywhere. In these departments there will be outsiders who will have to be brought here, proving once more that the civil service may be all right for routine but that when an emergency arises it becomes necessary to call in others. But, sir, I wonder if there will be a halo of sanctity round so many dirty heads as we see sometimes. It is not for me to castigate those who are ready to come here, but no one will convince me that all those who serve at a dollar a year have made a vow of poverty and are ready to wear the garb of a friar and to go begging round the villages in their bare feet. I do not believe it.

I want the government and the Prime Minister, whom I have supported for sixteen long years, to listen to and appreciate what I have done for the party as a free lance. I asked the Liberal members not to fight Mr. Houde of Montreal during the municipal election in 1930. The Prime Minister knows this; the Minister of Justice (Mr. Lapointe) does not know it, but there is another minister from the province of Quebec who is familiar with the situation. I took the responsibility of seeing Mr. Houde and telling him not to be against this government, after he had been elected by 42,000 votes. And although he was the leader of the Conservative party in Quebec he did not even preside at the meeting held in Montreal by Mr. Bennett during the campaign of 1930. Later, when Mr. Bennett was leader of the opposition, Mr. Manion rose to deliver a surprise attack between two votes on the budget; and who came to his support when he was told by his leader and by the whips to sit down? It was the member for Témiscouata, who tried to vindicate the honour of his party. The only member who told me he would have done the same thing was Malcolm McLean, formerly the member for Melfort, who is now rendering the country valuable service in another capacity. Whenever there was a difficulty I tried to help, not for glory or for award but because I wanted my party to be respected; and also because I expected my party to do something for my people. And the Prime Minister did something for them when he helped in the passing of legislation concerning minimum wage workers employed by the dominion government, and in other ways.

I have had very happy associations with my chief, the Prime Minister, and with the Minister of Justice, who is a dear friend of mine. I have had happy associations with all the other ministers of the crown, including those who will be sworn in to-day. But I want the government to realize that the members who support them make immense sacrifices and deserve consideration. We are not jealous of those who have been selected to-day; they are able men and we congratulate them warmly. But we believe that when a particularly important policy is to be considered, those who support the parties should be consulted and should have an opportunity to express the views of their electors. Otherwise how can we return home without having impossible explanations to make? Those who support us during the elections have a right to express their views to us, and we should have an opportunity of conveying those views to the government, because they are the views of good Liberals as well as of Conservatives who have good judgment.

Therefore, Mr. Speaker, in conclusion I shall ask the government to be cautious in the selection of those who will be their advisers. A Tory not in the government might hold a strategic position which would enable him to give most dangerous advice. The ministers should be warned about those people, and they should take great care not to be wrongfully influenced by the Tories who are so numerous now in the administrative services of the government. They are bold, exceedingly bold; they are arrogant, exceedingly arrogant; they are ignorant, exceedingly ignorant; they are most pernicious and dangerous. This is why we should not make saints out of them. We should consider each man according to his own merit. It will not do the government any harm to take at least half as much advice from their supporters as from the leader of the opposition, that good looking gentleman who looks so serious at the present time. I know he is kind-hearted; I know he is not a bad fellow, but unfortunately I cannot agree with what he has to say. Someone said Mr. Bennett was the successor to Sir Herbert Beerbohm Tree on the legitimate stage. I hope that my hon. friend the leader of the opposition will not try to copy the old stager in his performance, but that he will

be natural. If he is natural he will understand that it is not his duty to make absurd suggestions to the government; and he is too clever not to realize fully that his suggestions are absurd. He should simply observe the policy of the government and then do what as yet he has not done—offer constructive criticism. In doing that, he may not satisfy some of the drummers and the rank and file behind him—

Mr. MacNICOL: You are only the rank and file yourself.

Mr. POULIOT: I understand the hon. member for Davenport (Mr. MacNicol) has noticed that I was speaking of him.

Mr. MacNICOL: I am speaking of you.

Mr. POULIOT: The leader of the opposition ought not to attach so much importance to the drummers he has in the back stage there, and should think only of the importance of his functions. He represents in the country those who do not believe in the government. Therefore he must be cautious in getting right information, even from leaks, and see that the information is good. He must control it, and then—well, make useful suggestions. I know he can do that. What I regret is that since the beginning of the session he has not done it. I am expecting him to do that, and I hope I shall not be disappointed. I would hope that in the future, and until the end of the session, my hon. friend who is now smiling, thank God, will see to it that he is worthy of the confidence the party has placed in him, and that he will make a good showing and as leader of the opposition give a good performance, always keeping within his duties, and always acting according to the best old British traditions.

Resolution reported, read the second time and concurred in. Mr. Mackenzie King thereupon moved for leave to introduce Bill No. 74, to amend the Department of National Defence Act.

Motion agreed to and bill read the first time.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

*FOREIGN PUBLICATIONS—SUBVERSIVE ARTICLES

Mr. CHURCH:

1. Will a more efficient press censorship be established at once in the public interest with regard to subversive publications by refusing them the right to the mails and distribution in Canada?

2. Will all papers in relation to this matter be tabled for the information of the house?

3. Has the attention of the government been called to the banning of 500 such publications by the government of Australia on account of the war and other considerations of empire importance?

Mr. CASGRAIN: Mr. Speaker, I think the question in its present form is not regular. The first question seeks to obtain information as to the policy of the government. The policy of the government will be made known as the occasion may arise. I may say, however, that the matter is receiving the careful attention of the government.

As regards the second question, if the hon. member will make a motion for the production of certain documents, I will see that they are brought down. I would draw his attention to the votes and proceedings of Wednesday last, July 3, which shows that information was brought down in reply to a similar question.

The answer to the third question is: No; no information.

Mr. CHURCH: Australia has banned 500 such publications.

PAYMENTS ON GRAIN IN STORAGE

Mr. PERLEY:

What amount of money has been paid by the Canadian government on grain in storage of the 1938 and 1939 crops, respectively in (a) interior country elevators and mills; (b) interior terminal elevators; (c) in terminal elevators at Fort William and Port Arthur; and (d) all eastern terminal elevators?

Mr. MacKINNON (Edmonton West):

Storage—Western Division	1938 Crop	1939 Crop
(a) Interior country elevators and mills (storage proportion of carrying charges)	$5,070,386.41	$7,464,572.16
(b) Interior terminal elevators (1938 crop estimated)	246,074.70	503,359.20
(c) Terminal elevators at Fort William and Port Arthur	601,242.12	1,465,117.96
(d) Eastern terminal elevators	238,126.99	28,861.07

*BRITISH CHILDREN—ARRANGEMENTS FOR RECEPTION IN CANADA

Mr. BRUCE:

1. What were the limits agreed upon between the British and dominion governments regarding British child evacuees?

2. In view of the Minister's statement regarding the unreliability of the radio, will he state whether his announcement as given over the radio on Saturday last, that Canada would take all the children that England would send, is true or not?

3. Has the government extended a definite invitation for (a) a limited number of British children, or (b) a general unlimited invitation to all children the British government cares to send; (c) if neither, what is the nature of the invitation?

Mr. CRERAR: I have spoken to the leader of the opposition (Mr. Hanson), who asked the other day that this question stand, and he agrees now that it should be dropped.

Question dropped.

SASKATCHEWAN PENITENTIARY—COSTS PER INMATE

Mrs. NIELSEN:

How much does it cost for each person in penitentiary and/or in gaol, in Saskatchewan, per month, for the following, (a) food; (b) clothing; (c) housing, and (d) medical care?

Mr. LAPOINTE (Quebec East):

Saskatchewan Penitentiary:

(a) $6.77.

(b) $1.26.

(c) No accurate figure can be given. Maintenance costs of cell blocks not kept separate.

(d) $1.11.

Note: Not in possession of information with respect to costs in provincial gaols.

CONCENTRATION CAMP—COSTS PER PERSON DETAINED

Mrs. NIELSEN:

For each person detained in a concentration camp, how much does it cost, per month, to provide, (a) food; (b) clothing; (c) housing, and (d) medical care?

Mr. CASGRAIN: In accordance with the international convention relative to the treatment of prisoners of war, signed at Geneva on the 27th of July, 1929, the food ration of prisoners of war shall be equal, in quantity and quality, to that of the depot troops.

Owing to the varying number of prisoners passing through the camps, it is impossible to work out the cost per month for each prisoner.

[Mr McKinnon.]

MEAT EXPORTS

Mr. LACOMBE:

What was the value of meat exported by Canada during the years 1938, 1939, and 1940, (a) to the United States; (b) to the United Kingdom?

Mr. MacKINNON (Edmonton West):

Canadian exports of meats to the United States and United Kingdom during the years ended March 31st, 1938 to 1940:

Fiscal year ended March 31st.	United States	United Kingdom
1938	$3,271,705	$36,159,469
1939	905,954	33,010,329
1940	926,427	42,691,934

*CIVIL SERVICE SUPERANNUATION

Mr. HANSELL:

Is it the intention of the government to amend the Civil Service Superannuation Act so as to "provide that the time spent on active service by members of the civil service of Canada, who saw service in the great war of 1914-18, may be counted for the purpose of superannuation"?

Mr. ILSLEY: This question, Mr. Speaker, also relates to government policy, and it has never, so far as I know, been the practice of governments to answer questions of this kind. Government policy is made known as and when the occasion arises.

Question dropped.

QUESTIONS PASSED AS ORDERS FOR RETURNS

DEFENCE OF CIVILIAN POPULATION

Mr. CHURCH:

What steps are being taken for the defence of the civilian population in our cities and towns in Canada from air raids and foreign attacks?

CANADIAN TRAVEL BUREAU—EXPENDITURES—VALUE OF TOURIST TRAFFIC

Mr. HATFIELD:

1. What was the total expenditure by the Canadian travel bureau in each of the years 1935 to 1939?

2. What is the estimated annual value of tourist travel into Canada for the same period?

3. What part of the annual expenditure, in each of the said years, was allotted for the following purposes: (a) salaries, wages and ordinary office expenditures of the Canadian travel bureau; (b) travelling expenses and entertainment charged to the Canadian travel bureau; (c) purchase and distribution of literature, protographs, broadcasts, films, etc., actually produced at the government printing bureau; (d) purchase and distribution of literature, photographs, broadcasts, films, etc.,

produced by private firms and companies; (e) advertising counsel and advice, art work and illustrations, provided or produced by private companies, firms and/or individuals, stating the names of such private companies, firms and/or individuals, with amounts paid to each; (f) advertising in newspapers and magazines printed or published in Canada, and the same in newspapers and magazines printed or published outside of Canada?

4. What are the names and addresses of the firms or agencies through which advertising expenditures are made?

CAPE BRETON, N.S., WAR CONTRACTS

Mr. GILLIS:

1. What necessary war projects are being carried on in Cape Breton, Nova Scotia?
2. What firms have the contracts?
3. Who is responsible for the hiring of men on these projects?

MOTIONS FOR PAPERS

FORD MOTOR COMPANY OF CANADA

Mr. COLDWELL:

For a copy of all correspondence relating to the Ford Motor Company exchanged between any shareholder of the Ford Motor Company of Canada, Limited, and the Under-Secretary of State between January 1, 1936, and July 1, 1940.

MUNITIONS AND SUPPLY—APPOINTMENT AND POWERS OF CONTROLLERS

Mr. DIEFENBAKER:

For a copy of all orders in council and other documents in the possession of the government relating to the appointment and powers of the controllers in the Department of Munitions and Supply and of the wartime industries control board.

CANADIAN FARM LOAN BOARD—OPERATIONS IN SASKATCHEWAN

Mr. NICHOLSON:

For a return showing:

1. The names and addresses of all persons hired under the Canadian farm loan board in Saskatchewan;
2. How much they received as commissions, salaries and expenses in each of the last three years;
3. (a) How much money has been loaned by the said board, and (b) how much has been repaid to the board during each of the last three years;
4. The total amount owing to the board at the end of the last fiscal year.

EMPLOYMENT AND SOCIAL INSURANCE COMMISSION

Mr. BLACK (Cumberland):

For (a) a copy of all correspondence addressed to the Prime Minister from the chairman of the employment and social insurance commission in the years 1935 and 1936 and replies thereto, and (b) a copy of all correspondence addressed to the Prime Minister or the Minister of Labour by any member of the employment and social insurance commission in the years 1937, 1938, 1939 and 1940, and replies thereto.

WAINWRIGHT NATIONAL PARK—DESTRUCTION OF BUFFALO, MOOSE, ELK AND DEER

Mr. HAZEN:

For a copy of all correspondence, letters, telegrams, memoranda, statements and other documents in the possession of the department concerning the recent slaughter and destruction of buffalo, elk, moose and deer in Wainwright national park.

Mr. CRERAR: This order was called the other day and was allowed to stand. I ask, Mr. Speaker, that it be allowed to stand over at the request of the mover.

Mr. SPEAKER: Stands.

PRIVATE BILLS

SECOND READINGS

Bill No. 36, for the relief of Elizabeth Pauline Tingley Kidd—Mr. Hazen.

Bill No. 37, for the relief of Nancy Patricia Lytle Rowat.—Mr. Hill.

Bill No. 38, for the relief of Henry Carl Mayhew.—Mr. McIlraith.

Bill No. 39, for the relief of Laura Lucrezia Green Stinson.—Mr. McIlraith.

Bill No. 40, for the relief of Irene Nellie Kon Simpson.—Mr. Hill.

Bill No. 45, for the relief of Elma Jane Harris Aspell.—Mr. Hazen.

Bill No. 46, for the relief of Edith Leanora Holland Bonet.—Mr. Bercovitch.

Bill No. 47, for the relief of Dorothy Lavinia Worsley Baker.—Mr. Casselman (Grenville-Dundas).

Bill No. 48, for the relief of Eugene Belanger.—Mr. McIlraith.

Bill No. 49, for the relief of Rebecca Cohen.—Mr. McIlraith.

Bill No. 52, for the relief of Ethel Cahan Naihouse.—Mr. Bercovitch.

Bill No. 53, for the relief of John Roy Fumerton.—Mr. Bercovitch.

Bill No. 54, for the relief of Paul Edouard Tardif.—Mr. McIlraith.

Bill No. 55, for the relief of Pearl Aizanman Morris.—Mr. Bercovitch.

Bill No. 56, for the relief of Molly Goldfarb Goldberg.—Mr. Tomlinson.

Bill No. 57, for the relief of Muriel Agnes Martin Beech.—Mr. Hazen.

Bill No. 58, for the relief of Alfred Reinhold Roller.—Mr. McIlraith.

Bill No. 59, for the relief of Sarah Kerzner Spilberg.—Mr. Factor.

Bill No. 60, for the relief of Christina Smith Dunlop Andrique.—Mr. Edwards.

Bill No. 61, for the relief of Anna Shepherd.—Mr. Abbott.

Bill No. 63, for the relief of Margaret Somerville Sickinger.—Mr. Hill.

Bill No. 64, for the relief of Romain Cléophas Moreau.—Mr. Macdonald (Brantford City).

Bill No. 65, for the relief of Dorothy Florence Donn Martin.—Mr. Graydon.

Bill No. 66, for the relief of Phoebe Doris Edge Pott.—Mr. Graydon.

Bill No. 67, for the relief of Filomena Grego Sauro.—Mr. Bercovitch.

Bill No. 68, for the relief Kathleen Irene Mae Stephens Morrissey.—Mr. Macdonald (Brantford City).

Bill No. 69, for the relief of Dorothea Frances Poyser MacDermid.—Mr. Macdonald (Brantford City).

Bill No. 70, for the relief of Sheila Alice Dolly Young Dodge.—Mr. Factor.

Bill No. 71, for the relief of Margaret Louise MacDonald Russell.—Mr. Hill.

Bill No. 72, for the relief of Edward James Holt.—Mr. Factor.

On division.

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): I have counted the number of divorce bills on the order paper; there are thirty of them. Hon. members are told to be quiet, not to put any obstacle in the way of the progress of business; yet here we are with this putrid legislation, which comes to us in bulk and of which we should be ashamed. I have spoken along this line during several sessions, as those who were here at previous parliaments will remember. I do not understand why we should encourage this kind of legislation, just to give a chance to the lawyers on each side of the case to earn $500 apiece.

Mr. Speaker, if you glance at the evidence, the pestilential evidence which comes from the senate, you will observe that it is always the same thing—keyhole business, investigators, people who are paid so much by other people to look through a keyhole and find a man in the room with a woman, some clothes on a chair; a bottle of scotch, half full, on the table, and two glasses. Then the hon. gentlemen in the other place make a favourable report on the divorce petition. I suggest that, if we are to have conscription in this land, all the men who are parties to these divorce proceedings should be conscripted first along with the honorary lieutenant-colonels, and that all the women concerned should be put in canteens to make soup for the soldiers, and be generally useful in some way.

Mr. FRASER (Peterborough West): What do you mean—boil them down?

[Mr. Speaker.]

Mr. POULIOT: I do not know why we waste so much time on legislation which is a disgrace to our statute books. If we look at the volumes of Canadian statutes we can count any number of divorce petitions for the relief of Mr. So-and-So and for the relief of Mrs. So-and-So. Who knows that that man is a gentleman? Who knows that that woman deserves any consideration from the legislators of this country? It is shameful. I think we should all be ashamed of ourselves, taking part in such legislation, and I denounce it in the strongest language. We are making fools of ourselves in passing this legislation, because we are simply giving an opportunity to parasites to come to this house and make money at the expense of our honour. Moreover, the reports of the committee of the senate are stupid and in nine cases out of ten no judge would grant a divorce on the insignificant evidence that is given before the senate. What are the questions asked? Has there been any consent? Has there been any collusion between the parties? The interested party says, no. They can perjure themselves; it is evident that they perjure themselves, and it is taken for granted. Hon. gentlemen on the other side swallow it as they would a mouthful of water and their conscience is clear. It is shameful, sir. You are an honest citizen; we are all honest citizens, and we cannot do otherwise than disapprove such legislation. It is a curse, a waste of time. I am sorry my vocabulary is not richer because I would employ stronger language. We ask for a vote against these bills. They are all rotten legislation and we should vote against them. Get rid of this legislation.

Mr. SPEAKER: I understand there is no defence to any of these divorce bills, and I am suggesting that the house pass them en bloc on division, as requested. The numbers have already been read by the assistant clerk. It is moved by Mr. McIlraith, seconded by Mr. Roebuck, that the bills be read a second time. Is it the pleasure of the house to adopt the motion?

Some hon. MEMBERS: Carried.

Some hon. MEMBERS: On division.

Mr. SPEAKER: Carried on division.

Bill No. 32, to incorporate Pool Insurance.—Mr. McNiven, (Regina City).

Bill No. 33, to incorporate the Stanstead and Sherbrooke Insurance Company.—Mr. Gingues.

Bill No. 34, respecting the Ottawa Electric Company and the Ottawa Gas Company.—Mr. McIlraith.

Bill No. 44, respecting the Cedars Rapids Manufacturing and Power Company.—Mr. Abbott.

Bill No. 50, respecting a certain wharf of Saguenay Terminals Limited.—Mr. Dubuc.

Bill No. 62, to incorporate Sisters Servants of Mary Immaculate.—Mr. Lapointe (Lotbiniere).

DETROIT AND WINDSOR SUBWAY COMPANY

Mr. PAUL MARTIN (Essex East) moved the second reading of Bill No. 35, respecting the Detroit and Windsor Subway Company.

Mr. HANSON (York-Sunbury): Before this bill is read a second time, will the sponsor give some explanation of its purpose. I have not read the bill.

Mr. MARTIN: Mr. Speaker, the purpose of this bill, which I think should be referred to the appropriate standing committee, where its promoters wish to have an opportunity of explaining its provisions, is to declare the true value of the shares of no-par value. When the company received its charter the value of the shares was declared, I believe, at around ten cents each. Latterly the directors valued the shares at something like $12.

There has recently been passed in the state of Michigan an act, No. 101 I think, the provisions of which render taxable the shares in accordance with the value declared by the directors. This, it seems, would be inequitable, because the true value of the shares does not begin to approach the value declared by the board of directors. I believe the matter should be referred to the committee on banking and commerce so that its sponsors can give reasons for the course which they propose to take.

Mr. HANSON (York-Sunbury): Before the hon. member concludes his remarks, may I ask if the declaration of $3 a share as opposed to $12 will affect the taxation which this company will pay to the Canadian government?

Mr. MARTIN: I did not hear the question.

Mr. HANSON (York-Sunbury): Will the reduction of the fictitious value of $12 a share to what the hon. member says is the true value, namely $3, affect in any way the taxation which this company shall pay to the treasury of Canada or to any municipality?

Mr. MARTIN: I am glad the hon. gentleman asked that question. It will in no way affect Canada. It simply affects the revenue of another country.

Mr. T. L. CHURCH (Broadview): Before this bill is read the second time we ought to hear from the Minister of Transport (Mr. Cardin) what is the policy of the government regarding it. This bill was introduced and passed by the senate on June 13. I may say that I had no notice that these bills were coming up to-night. I wished to speak on the principle of the Ottawa Electric company bill, but it has been referred to the appropriate committee.

We should not be parting with these franchises in the manner we are doing, without any proper reports from heads of departments. The Detroit and Windsor Subway company got its authority in 1926-27; the explanatory notes give particulars as to the capital stock and the issue of shares. I should like to know from the Minister of Transport what is the policy of the Canadian National Railways with regard to this charter, because a committee was appointed, without any notice being given to the house through the order paper, to deal with the national railways; the motion was put through, the committee is meeting, and these committees have a way of whitewashing certain matters.

This bill was introduced in the senate—a procedure which I have never known of before in regard to franchises of this description. We must be very careful. We are parting with the great public franchises of this country—light, power and transportation. The hydro electric system of Ontario, than which there is no better in the world, had a system of railways; and this Detroit and Windsor Subway company is in conjunction with the Detroit and Canada Tunnel corporation, a Michigan corporation, owning and operating a vehicular tunnel under the Detroit river between the cities of Windsor, Ontario, and Detroit, Michigan. The notes go on to say that all the shares of the subway company are owned by the tunnel corporation. Now they come to this parliament and ask for the amendment proposed. The committee will accept the bill subject to revision, and in my opinion, if this house adopts the principle of the bill it should be reported on and we should hear from the Minister of Transport what is the policy of the Canadian National Railways regarding this tunnel. Before we accept the principle of the bill we should have a further detailed explanation. This is an international charter; no doubt parliament has control, but some of the charters which have been passed cannot by the widest stretch of the imagination be said to be works for the general advantage of Canada. Has the management of the Canadian National Railways been consulted? What do they say about handing over a charter like this?

Hon. C. D. HOWE (Minister of Munitions and Supply): Mr. Speaker, in the absence of the Minister of Transport (Mr. Cardin) I may say that the solicitor of the Department of Transport examined the bill and reported to

me that it was exactly what its sponsor has stated, and nothing more, namely, is a bill to write down the shares of the company to their true value. The Canadian National Railways are not interested in this bill in any way. Their system does not touch that company's system. I recommend that the suggestion of the sponsor should be followed and that the bill be referred to a committee of the house where it can receive the fullest possible study and where anyone who has a valid objection to it can present his case.

Motion agreed to, bill read the second time and referred to the committee on railways, canals and telegraph lines.

ALBERTA PROVINCIAL BANK

The house resumed, from Tuesday, July 2, consideration of the motion of Mr. Blackmore for the second reading of Bill No. 26, to incorporate the Alberta Provincial Bank, and the amendment thereto of Mr. Ralston.

Mr. GEORGE H. ROSS (Calgary East): A few days ago the leader of the social credit group in this house rose in his place and condemned interest as being ungodly and unjust. I wish to point out that, according to the social credit philosophy, interest is ungodly and unjust only when it is payable by social crediters. When it is payable to social crediters it is most godly and most just. At least the social credit government always exact their pound of flesh when it comes to collecting interest.

I might illustrate that by a single instance. The city of Calgary had bought a number of province of Alberta bonds and were holding them in their sinking fund. On the other hand the province were holding some city of Calgary bonds. When it came to collecting the interest the province insisted that the city of Calgary pay in full the interest on their bonds. On the other hand the province of Alberta, as I explained when this bill was up before, repudiated half the interest on their bonds and paid only fifty cents on the dollar on the interest due. As far as the balance is concerned they are hiding behind the provision that a province cannot be sued without its consent; they would not consent. If interest is such a vile thing as social crediters make it out to be, I should like to know from the social crediters whether they propose that this bank shall collect interest from its customers when it goes into the banking business.

Mr. Aberhart and his associates now wish to start a bank. Why they who so vehemently denounce interest should want to start a bank is a question. I feel strongly that politicians who label banking as a racket, who say that credit should be extended indefinitely by the use of a fountain pen and book entries, and count the repudiation of honest debts a noble achievement, are not fit persons to be trusted to carry on banking business in Canada.

Certain sections of the Bank Act are designed to protect customers of banks by requiring that sufficient money be raised by those proposing to incorporate a bank to give some assurance of their being able to carry on business with a fair chance of success. According to this bill those sections are not to apply to this bank. So, if we grant this charter, we are creating a bank which can go into the banking business and receive deposits from its customers without having one dollar of assets of its own. The only asset of any kind that it will have will be the liability which the law imposes upon the directors in the event of the bank becoming insolvent. Should we grant a charter to people to carry on such an institution?

If the charter is granted, one of the first questions that will present itself will be, shall this bank be the banker of the province of Alberta? At once a conflict of interest arises. The members of the executive council of the province of Alberta will be the directors of this bank. As directors of this bank they should try to carry on a sound banking business and guard the interests of the bank. As members of the government of the province they should do all they can to guard the interests of the province. I suggest that there is not one member of this house, outside the social credit group, who will say that this bank should be the banker of the province. There is a direct conflict of interest. Men cannot serve two masters. Section 75, subsection 3, of the Bank Act prohibits directors from occupying conflicting dual positions.

Some eighteen years ago the United Farmers of Alberta government in Alberta appointed a royal commission under the able chairmanship of Professor D. A. McGibbon to investigate the question whether or not the province of Alberta should go into the banking business. After a thorough survey that commission came to the conclusion that the province should not go into any such venture.

What right has a province to go into the banking business? Under the British North America Act the exclusive legislative authority of the parliament of Canada extends to banking. No doubt this parliament can delegate its authority to someone else to carry on a banking business, but has the province of Alberta the right to accept the power to carry on banking business? It is very doubtful. And if this parliament authorizes the province to carry on something which it is beyond the power of the province to carry on, and

authorizes them to raise money for that purpose, we are assisting them to carry on an illegal enterprise. We must be careful in that respect.

If we grant this charter, the bank must inevitably fail. A few of the principal reasons are deserving of consideration. No prudent man, knowing the record of Mr. Aberhart and his associates, would entrust his savings to a bank directed by them. No person would be justified in doing his banking business with a bank managed by a political group wholly inexperienced in banking and as reckless in experimenting with public money as these people have shown themselves to be. Prudent men will deposit their savings in the chartered banks, which honour their obligations. Consequently this bank could not hope to receive large deposits.

Again, before the social credit government came into power in Alberta, Alberta was a borrowing province. It borrowed almost twice as much as the banks there received in deposits. It relied on the existing chartered banks for funds. The sums lent at any one time in Alberta were almost double the amounts received there on deposit. The banks drew on their deposit reserves from other provinces to meet the credit requirements of Alberta. Because of our branch banking system Alberta has been the beneficiary of outside credits from the earliest days. As pointed out by the leader of the social credit group, the Alberta bank must necessarily be only a local bank. It will have to rely on deposits in Alberta, and it cannot hope to get from such deposits sufficient money to meet its legitimate credit needs. Not having the deposits, it will not be able to lend; and not being able to lend, it cannot make sufficient money to pay operating expenses and interest on its funds.

There is a third reason why this bank must be an utter failure. To pay operating expenses and make a profit this bank will have to lend money. That will not be difficult to do; all the social credit supporters will be looking to the bank for loans. Credit is not likely to be distributed on a business basis by any government anxious for votes at the next election. If we may judge the social credit government by its record, this would operate as a purely political bank, lending money freely wherever the most votes could be secured. Loans so made would never be recovered, and the loss to the bank would be enormous. Insolvency and collapse inevitably must be the fate of a bank so managed.

What does the province of Alberta stand to lose by the collapse of this proposed bank? In the first place it will lose the $500,000 subscribed by the treasury of the province in order to begin operations. In the second place it will stand to lose another $500,000, under the double liability provision contained in the Bank Act with regard to shareholders of banks. In addition, the depositors will stand to lose all the money deposited by them. Surely such a bank has no future and no hope but failure. This is the last of a series of attempts to mislead the public. It harmonizes with the covenant-signing crusade, the prosperity certificates, the treasury branches and the other ridiculous proposals of a bankrupt government. I call upon this house to take the necessary steps to avoid any further squandering of the money of the province of Alberta by defeating this ridiculous and hopeless measure.

Amendment (Mr. Ralston) agreed to on division, and bill referred to the standing committee on banking and commerce.

ADMINISTRATION OF JUSTICE

PROCEDURE IN EXERCISE OF EXECUTIVE CLEMENCY —CELONA CASE

On the orders of the day:

Mr. H. C. GREEN (Vancouver South): On Wednesday last the hon. member for Vancouver North (Mr. Sinclair) asked a question of the Minister of Justice (Mr. Lapointe) concerning the release on ticket of leave from the New Westminster penitentiary of one Joe Celona of Vancouver. At that time I understood the minister to say that he would look into the case and give a reply later. I should like to ask when the house may expect that reply. There is considerable urgency about this matter, because grave concern is being shown by the people of Vancouver, this man Celona being a notorious white slaver.

Right Hon. ERNEST LAPOINTE (Minister of Justice): This man applied a year ago, or some one applied on his behalf, for a ticket of leave, and the reply was that in offences of this kind it was customary for the prisoner to serve at least half his term before any consideration could be given the application. That is the usual length of time they have to serve.

Mr. GREEN: Even in a white slave case?

Mr. LAPOINTE (Quebec East): In serious cases, they must serve that length of time before consideration can be given. When the application was renewed the usual practice was followed. Reports were asked from various people, and of seven reports received six were rather favourable to the ticket of leave being issued. Apparently these people thought the

ends of justice would be served by the application being granted. This was done in the usual course, but since the question has been raised in this house I have received from British Columbia representations to which as yet I have not been able to give full consideration. However, I have communicated with some of those who were asked for reports in the case, and I am awaiting their replies. In a day or two I may be able to give to this matter the possible reconsideration that may be needed.

Mr. HANSON (York-Sunbury): Is the man out?

Mr. LAPOINTE (Quebec East): Yes, but he cannot escape.

EUROPEAN WAR

INQUIRY AS TO ESTABLISHMENT OF INSURANCE SCHEME FOR SOLDIERS ON OVERSEAS SERVICE

On the orders of the day:

Mr. T. L. CHURCH (Broadview): I should like to ask the government a question concerning a matter which has been standing ever since the war session last September. It is this: Will the government, before this session is over, come to a decision as to whether or not they will establish a system of insurance for our soldiers overseas? The United States had such a system during the last war, and it effected a great economy. Surely if we are going to insure those who stay at home, something along this line should be done for our soldiers who are risking their lives overseas. I do not ask for a decision to-night, but I think the government should give the matter consideration. The former Minister of Finance, Mr. Dunning, said money could be borrowed at two-thirds of one per cent and we have plenty of money in the bank, so I think the government should come to a decision on this matter. These men who are risking their lives deserve an insurance scheme just as much as those who stay at home, so I should like to know whether or not the government will give the matter consideration.

Hon. J. L. ILSLEY (Minister of Finance): It will be given consideration.

Mr. CHURCH: It has been standing since last September.

WHEAT

ADVISORY COMMITTEE AND POLICY RESPECTING MARKETING OF 1940 CROP

On the orders of the day:

Mr. E. E. PERLEY (Qu'Appelle): I should like to direct a question or two to the Minister of Trade and Commerce (Mr. MacKinnon) based upon a report appearing in the Winnipeg

[Mr. E. Lapointe.]

Free Press of June 29, 1940, to the effect that the wheat committee of the cabinet—that is, Messrs. Crerar, Gardiner and MacKinnon—were in session on Friday, June 28, framing a policy for the wheat board in connection with the 1940 crop. The questions are further based upon a Canadian Press report appearing in the western newspapers under date of July 4, as follows:

> The North-West Line Elevators Association to-day announced representations have been made to Ottawa by line elevator companies in western Canada to have the dominion government provide for the hedging of country wheat purchases and remove the 5,000 bushel limitation on deliveries to the Canadian wheat board.
>
> A statement by the association said:
>
> "The rapid and drastic change in the international situation due to the invasion of Norway, Belgium and Holland, followed by declaration of war by Italy and collapse of European France, coupled with the prospects of a large carryover of wheat in Canada, make it obvious that the government would have to take temporary measures to protect the price structure until they could formulate a policy to take care of the present situation—"

My question is: Has such representation been made by the North-West Line Elevators association and, if so, what is the government going to do about it? I should like to ask also, since this session is drawing to a close, if within the next week or so legislation will be brought down implementing some of the requests that have been made, especially with regard to the appointment of an advisory committee, and any other legislation necessary because of any changes that are to be made in the policy of the government in connection with the marketing of the 1940 crop.

Hon. J. A. MacKINNON (Minister of Trade and Commerce): The hon. member for Qu'Appelle (Mr. Perley) has asked a question regarding a meeting of the wheat committee of the cabinet which was supposed to have been held on June 28. I have no recollection of such a meeting being held. The Minister of Mines and Resources (Mr. Crerar), who is sitting near me, tells me that if any such meeting were held he was not present.

Mr. PERLEY: Then the press report must be incorrect.

Mr. CRERAR: The newspaper report.

Mr. MacKINNON (Edmonton West): In connection with the statement that representations have been sent to the Minister of Trade and Commerce respecting the wheat situation, wheat storage or any matter connected with the subject, may I say that no word has been received by the Minister of Trade and Commerce or by the department from the North-West Line Elevator Association.

Regarding legislation in connection with the matter of an advisory committee, I would say

in answer that a great deal depends on the personnel of the advisory committee when we consider what action will be taken in connection with the setting up of machinery for the handling of this year's crop, in the event of such action being necessary. If certain decisions are made, one type of committee will be necessary; if another decision is made, in my opinion a different type of committee will be necessary. The matter is receiving the most earnest consideration of the wheat committee of the cabinet, and of the wheat board.

Mr. PERLEY: Will no new legislation be introduced in respect of marketing?

Mr. MacKINNON (Edmonton West): I cannot say definitely; it is a matter of government policy.

POLICY RESPECTING CLOSING OF GRAIN EXCHANGE AND SETTING OF PRICE FOR 1940 CROP

On the orders of the day:

Mr. J. G. DIEFENBAKER (Lake Centre): I should like to ask a question of the Minister of Trade and Commerce (Mr. MacKinnon) arising out of an item which appeared in the Ottawa *Citizen* of July 6, as follows:

> The dominion government will defer for about ten days its decision as to whether the western grain exchange will remain open after the end of the crop year, a reliable source told the Canadian Press to-day.
>
> On June 1 trade minister MacKinnon announced that following wheat fluctuations which had necessitated pegging of prices the exchange would remain open at least until the end of the crop year.

During the past few days I have received numbers of representations from farm organizations and from farmers throughout western Canada inquiring what the government's wheat policy will be, and urging that the policy should be announced, in view of the approaching harvest. My questions are these:

1. Has the government not received representations from all the western pools and from numerous farm organizations demanding that the grain exchange shall be closed for the duration of the war?

2. Does the government intend accordingly to direct the closing of the exchange from the end of the crop year, that is to say, July 31 next?

3. Does the government intend to set the price of wheat for the 1940 crop, and, if so, will such price be on a parity with other prices so that the producers will be assured a fair return above costs of production?

Hon. J. A. MacKINNON (Minister of Trade and Commerce): Mr. Speaker, replying to the question of the hon. member for Lake Centre (Mr. Diefenbaker) as to whether or not the wheat futures exchange would remain open, may I repeat what I said in a formal statement to the house, namely, that it would remain open until the end of the present crop year. My department, members of the wheat committee of the cabinet, and the cabinet itself are well aware of the urgency in connection with the whole wheat situation. I can say also that representations have been received by my department from some individuals and some organizations in favour of closing the futures market.

Mr. HANSON (York-Sunbury): The hon. member referred to all the western pools.

Mr. MacKINNON (Edmonton West): I am not in a position to say definitely that the pools have not made such representations, but I have no recollection whatsoever of those representations being received during my administration of the department.

As I have said, there have been representations in favour, and some against the closing of the futures market. The matter is receiving the earnest consideration of the—

Mr. PERLEY: Representations have been made from the floor of this house. What are you going to do about that?

Mr. MacKINNON (Edmonton West): That is also being taken into account in our consideration of the matter.

Mr. L. A. MUTCH (Winnipeg South): Will the government consider a closed season on political sniping on the Winnipeg grain exchange?

PRAIRIE FARM ASSISTANCE

WESTERN CROP CONDITIONS—POSSIBLE AMENDMENTS TO THE ACT

On the orders of the day:

Mr. E. E. PERLEY (Qu'Appelle): I should like to ask the Minister of Agriculture (Mr. Gardiner) a question. In view of the fact that he is likely to leave that department I hope he will be in a position to give a satisfactory answer because crop conditions in parts of western Canada, notably the western part of Manitoba, and some parts of Saskatchewan and Alberta, are not good, and it will be necessary to carry on assistance under the Prairie Farm Assistance Act. Does he propose to recommend any changes in or amendments to the act so that it may be better and more satisfactorily administered than it was last year?

Hon. J. G. GARDINER (Minister of Agriculture): Possible amendments to the Prairie Farm Assistance Act are receiving consideration. They have not yet been considered by the government. Whether or not they will be brought down is, of course, a matter of policy.

SIR HOWARD D'EGVILLE

INQUIRY AS TO PURPOSE OF VISIT TO CANADA

Mr. JEAN-FRANCOIS POULIOT (Témiscouata): Mr. Speaker, may I ask the Minister of Mines and Resources (Mr. Crerar) who is in charge of the immigration branch if he is aware that an important gentleman named Sir Howard D'Egville has come to Canada? In the second place, is he here in a private capacity or on an official mission; in the latter case, what is the mission?

Hon. T. A. CRERAR (Minister of Mines and Resources): Replying to the first part of the question, I believe Sir Howard D'Egville is here in Canada—at least, he was a few days ago, when he called at my office to see me. So far as the second part of the question is concerned, I have no information.

Mr. POULIOT: I have none, either.

ROYAL CANADIAN AIR FORCE

ADAPTATION OF CERTAIN TYPES OF COMMERCIAL PLANES AS BOMBERS

On the orders of the day:

Mr. A. R. ADAMSON (York West): Mr. Speaker, I should like to ask a question of the Minister of Munitions and Supply (Mr. Howe). In view of a statement made by Mr. Noel Baker, a member of the House of Commons in England, that a certain United States commercial plane has had the seats taken out and bomber racks installed, that this ship when armed had proved most successful as a bomber, and that no casualties had been suffered by this type of aircraft, would the minister make inquiries with a view to seeing if any of this type of aircraft are available in Canada or the United States?

Hon. C. D. HOWE (Minister of Munitions and Supply): I read the dispatch to which my hon. friend has referred, and read in this evening's paper a further account of the same speech which has led me to believe that the plane to which reference was made was a Hudson bomber, which is an adaptation of the Lockheed passenger plane. It is, however, hardly suggested that the seats were taken out of the plane in England. I think the hon. member will find on further examination that the plane was adapted from the passenger plane at the point of manufacture. As a matter of fact, while the Hudson bomber has characteristics of a passenger plane, it is quite a different plane. As I stated before in the house, it would cost about as much to convert a passenger plane into a Hudson bomber as it would to buy the frame of the Hudson bomber new. The Canadian government has a number of Hudson bombers and we know it to be a most efficient plane. It is remarkable that none of them have so far been shot down over Britain.

WAYS AND MEANS

The house in committee of ways and means, Mr. Vien in the chair.

INCOME WAR TAX ACT

Resolved, that it is expedient to amend the Income War Tax Act and to provide:—

1. That the rates of tax applicable to persons other than corporations shall be increased to the rates of tax set forth in the following schedule:

A.—Rates of Tax Applicable to persons other than Corporations and Joint Stock Companies

On the first $250 of net income or any portion thereof in excess of exemptions 6 per centum or

$15 upon net income of $250; and 8 per cent upon the amount for which the income exceeds $250 and does not exceed $1,000 or

$75 upon net income of $1,000; and 12 per centum upon the amount by which the income exceeds $1,000 and does not exceed $2,000 or

$195 upon net income of $2,000; and 16 per centum upon the amount by which the income exceeds $2,000 and does not exceed $3,000 or

$355 upon net income of $3,000; and 20 per centum upon the amount by which the income exceeds $3,000 and does not exceed $4,000 or

$555 upon net income of $4,000; and 24 per centum upon the amount by which the income exceeds $4,000 and does not exceed $5,000 or

$795 upon net income of $5,000; and 27 per centum upon the amount by which the income exceeds $5,000 and does not exceed $6,000 or

$1,065 upon net income of $6,000; and 30 per centum upon the amount by which the income exceeds $6,000 and does not exceed $7,000 or

$1,365 upon net income of $7,000; and 33 per centum upon the amount by which the income exceeds $7,000 and does not exceed $8,000 or

$1,695 upon net income of $8,000; and 35 per centum upon the amount by which the income exceeds $8,000 and does not exceed $9,000 or

$2,045 upon net income of $9,000; and 37 per centum upon the amount by which the income exceeds $9,000 and does not exceed $10,000 or

$2,415 upon net income of $10,000; and 39 per centum upon the amount by which the income exceeds $10,000 and does not exceed $20,000 or

$6,315 upon net income of $20,000; and 41 per centum upon the amount by which the income exceeds $20,000 and does not exceed $30,000 or

$10,415 upon net income of $30,000; and 44 per centum upon the amount by which the income exceeds $30,000 and does not exceed $40,000 or

$14,815 upon net income of $40,000; and 47 per centum upon the amount by which the income exceeds $40,000 and does not exceed $50,000 or

$19,515 upon net income of $50,000; and 50 per centum upon the amount by which the income exceeds $50,000 and does not exceed $75,000 or

$32,015 upon net income of $75,000; and 53 per centum upon the amount by which the income exceeds $75,000 and does not exceed $100,000 or

$45,265 upon net income of $100,000; and 56 per centum upon the amount by which the income exceeds $100,000 and does not exceed $150,000 or

$73,265 upon net income of $150,000; and 59 per centum upon the amount by which the income exceeds $150,000 and does not exceed $200,000 or

$102,765 upon net income of $200,000; and 63 per centum upon the amount by which the income exceeds $200,000 and does not exceed $300,000 or

$165,765 upon net income of $300,000; and 67 per centum upon the amount by which the income exceeds $300,000 and does not exceed $400,000 or

$232,765 upon net income of $400,000; and 72 per centum upon the amount by which the income exceeds $400,000 and does not exceed $500,000 or

$304,765 upon net income of $500,000; and 78 per centum upon the amount by which the income exceeds $500,000.

Mr. ROSS (St. Paul's): Mr. Chairman, I refrained from speaking in the budget debate because the Prime Minister was anxious to have the then Minister of Finance (Mr. Ralston) set free to take over his new position of Minister of National Defence, and I would ask you, Mr. Chairman, what latitude is to be allowed in committee? There are several things I should like to say but I do not want to overstep the rules of the house.

First I wish to congratulate the former Minister of Finance upon the way in which he brought down and delivered his budget. I wish also to congratulate sincerely the present Minister of Finance (Mr. Ilsley), who is now in his place. The former Minister of Finance had a martial air about him that would lead us all to believe that he was headed for some other post than Minister of Finance, and now he has gone where we all thought he would go, to the Ministry of National Defence.

While speaking of martial airs, I think it is important that we should keep our chins up and have the public of this country know that they are to keep their chins up and have no thought but that we are going to win this war.

Some hon. MEMBERS: Hear, hear.

Mr. ROSS (St. Paul's): That is what we are going to do—win the war. I agree with what the hon. member for Peel (Mr. Graydon) said the other night, that the most important thing is that we should maintain just that attitude of mind of which I have spoken. I blame the government for not having had more martial music in this country. Bands playing martial airs have an inspiring effect on the spirits of the people, and if we had a few bands going round the country and giving us a little martial music it would do us a great deal of good. I suggest that the government appropriate a little money for the purpose and distribute it amongst the various militia units throughout the dominion so that we can have a little martial music to help keep the chins of the people up.

We who are of Scottish descent—and I see the Minister of Pensions and National Health (Mr. Mackenzie) in his place—think a great deal of the old Scottish march "Scots, wha hae wi' Wallace bled." What did that lead to? It led to victory. Then there are other grand airs: "Rule Britannia"; "Hearts of Oak"; "We'll Never Let the Old Flag Fall"; "Keep the Home Fires Burning"; "It's a Long Way to Tipperary"; and in more recent days, "Roll Out the Barrel." These songs did more than anything else in the last war to keep up the spirits of the people, and I think it is a great shame that the government have not appropriated more money to let our good fellows have a few bands. Let them have a dozen pipes instead of only two.

Mr. GRAYDON: Page Tom Reid.

Mr. ROSS (St. Paul's): Another very popular song in the last war was "Pack Up Your Troubles in Your Old Kit Bag." That is what everybody in this country needs to do at the present time—to forget his troubles and think about the war and let us get along with it. I wonder what the government have done to keep the chins of the people up.

On June 26 I asked several questions of the government and, in particular, of the Minister of Mines and Resources (Mr. Crerar) who has charge of the immigration branch, and I said that my questions were based on an appeal by Mr. J. B. Priestley which I had heard over the radio. In that appeal Mr. Priestley said that he would like to see a million children sent out of England. It was a wonderful radio speech. The minister said that I should not pay any attention to people who probably might be speaking only for themselves. But it is extraordinary, Mr. Chairman, that Mr. J. B. Priestley seems to be often broadcasting from England. I wonder if he pays for all those broadcasts himself, or do you think the British government pays for them? When I heard Mr. Priestley make that appeal to get a million people out of their country I thought he was in earnest, and I believe that he was put up by the British government to do it.

Hon. J. L. ILSLEY (Minister of Finance): If the hon. gentleman would permit me, Mr. Chairman, unless there was some agreement at some previous stage to permit discursive speeches on the budget resolutions, I would suggest that the speeches be relevant to the

resolution before the house and that members be held to the observance of that rule. If there was any understanding to the contrary, of course it would have to be respected, but I am afraid that if hon. members generally are given the latitude that the hon. member is being given at the moment we shall enter upon a budget debate which will have no limitation of subject matter at all.

Mr. HANSON (York-Sunbury): Mr. Chairman, I was afraid this question might arise. The hon. gentleman who has the floor spoke to me in regard to it and I told him to go on and speak until he was stopped in some way or another, and that then the question might be settled. I do not know whether the minister was in his place last Tuesday. I then made a definite offer that so far as this party was concerned the budget debate should cease then and there and that the then Minister of Finance (Mr. Ralston) should be allowed to go on his way to his new job. Through some misunderstanding—and I am not going to place the fault anywhere because I really believe there was a genuine misunderstanding—the thing did not get the clear-cut consideration it deserved, and I thought the arrangement was off, but we adhered to it for that day and no member of this party but myself spoke that day. The minister who is now Minister of National Defence agreed, I think, to it. So that the matter has been left in a state of uncertainty, and there are a few members of this party who would have spoken then if they had not thought they would have an opportunity on the budget resolutions to make the speeches that otherwise they would have made earlier. I would ask that as a matter of courtesy the minister allow these gentlemen to make their speeches—I do not think there are very many of them—and we shall get on with the resolutions. I promise cooperation if he will be good enough to do that.

Mr. ILSLEY: From what the leader of the opposition (Mr. Hanson) has just said, it is clear that there was no understanding that the budget speeches could be made on the resolutions.

Mr. HANSON (York-Sunbury): There was a misunderstanding.

Mr. ILSLEY: It is probably true that certain members of his party desisted from making speeches which they had planned to make, but I am afraid that that does not give them a right nor does it give rise to any implied understanding that they can make speeches, in clear breach of the rules, on the resolutions. I am afraid that I cannot agree to waive the rules at this stage to the extent that the hon. member who has just been speaking apparently expects them to be waived.

The CHAIRMAN: Unless anybody else desires to speak to the point of order, I shall now make my ruling.

Mr. NEILL: I should like to say a word. I have no desire to make a speech; I think the time is past for that; but I do remember that the Prime Minister gave an understanding that if the debate was expedited, hon. members who had, so to speak, repressed their speeches on the main motion would be allowed to make them in committee.

Mr. HANSON (York-Sunbury): I think that was the arrangement.

The CHAIRMAN: Of course the chair cannot be a party to any understanding of that kind. The chair must naturally be governed by the rules of the house, which can be suspended only by the unanimous consent of the committee. Standing order 58, subsection 2, states:

> Speeches in committee of the whole house must be strictly relevant to the item or clause under consideration.

I was in the house when the Prime Minister and the leader of the opposition had a discussion on what had been agreed to, and it was obvious that no agreement had been reached, because they could not agree even on the ground on which an agreement was discussed. Therefore there is nothing before the chair at present to determine that there has been any proposal to be adhered to whilst these resolutions would be in committee; and the chair has only one alternative, which is to apply the rule I have just read, unless by unanimous consent the rule were suspended.

In addition to that, I would point out that it would be an endless procedure to repeat, on each of these resolutions, all the speeches which could have been made on the motion for Mr. Speaker to leave the chair for the house to resolve itself into committee of ways and means. Therefore I have no alternative but to suggest that hon. members stick to the subject matter of the resolution which is now before the committee.

Mr. HANSON (York-Sunbury): May I call attention to what the then Minister of Finance said on Tuesday, July 2, as recorded at page 1257 of *Hansard*? After I had concluded my speech I asked the minister if he was prepared to make a statement before the hon. member —that is the hon. member for St. Antoine-Westmount (Mr. Abbott)—proceeded. The minister then said:

> I want to say to my hon. friend the leader of the opposition and to the house that in regard to opportunity being given for discussion

in committee of any matters which ordinarily would be discussed on the budget itself, the government is perfectly satisfied to give the undertaking that such opportunity will be given. It is a matter, of course, for the house to decide—

The CHAIRMAN: Will the hon. gentleman give the page and the date?

Mr. HANSON (York-Sunbury): Page 1257, July 2:

It is a matter, of course, for the house to decide, but hon. members may be assured that if it is desired to make their statements on the budget in committee they will not be precluded by the budget itself being disposed of without prolonged debate.

There is an implied promise. I think the minister had better be guided by that if he wants to expedite his resolutions.

Mr. ILSLEY: There is no doubt that sooner or later, at some stage on these resolutions, every hon. member will have an opportunity to say anything which is pertinent to the budget itself. But the hon. member was suggesting to the house that the government should provide more martial music for the people of this country. So far as I know, that has not any relation whatever to any resolutions which are now being brought down. I would take it from what the then Minister of Finance said that he meant just what he said, that is that no one would be denied the right of saying anything pertinent to the budget itself. Certainly hon. members will have that right sooner or later on one or another of these resolutions. But that, as I gather, was all that was agreed to. The reason why I am speaking about the matter in this way is that I cannot otherwise see any limit whatsoever to the latitude which would be given to hon. members. Anyone can speak on any subject on any resolution unless there is some limitation placed upon discussions.

Mr. HANSON (York-Sunbury): But there was a promise made. The minister would be well-advised to let us have this if he wants to get his resolutions through promptly.

The CHAIRMAN: I do not think that would be quite proper on the point of order which has been raised. I should like to point out to hon. members that they will have an opportunity of speaking when the bill based on the resolution is read a second time. On the second reading of the bill there will be the same opportunity as on the budget resolutions. I have no alternative than to adhere to the rule which I have just read.

Mr. HANSON (York-Sunbury): If that is your ruling, we shall abide by it.

Mr. ROSS (St. Paul's): Mr. Chairman, I must bow to your ruling. I prefaced my remarks with a statement of the understanding I had with respect to the situation. However, I have not much more to say in that connection, and I suppose that I might make it quite relevant by suggesting now that in the resolution which is before us the exemption for income tax purposes to the extent of $400 should be accorded to all those who take refugee children. I might also say that the reason I have for suggesting that is based on Mr. Priestley's plea that he wished Britain could get rid of a million children. I wonder how many hon. members, as well as the minister, realize the intensity of the desire of the British people to safeguard their race, and I wonder whether any hon. members realize what a marvellous thing it would be for Canada to have these children. I do not suppose that any real offer has been made by the government to the people over there. Let any hon. member put himself in the position of parents in the old country with children whom they want to send out here. Why do they not send children? Because there has been no guarantee on the part of the government of Canada for the upkeep of the children if anything should happen to these people, and therefore they say that they will keep their children there. It is a far broader matter than just a little argument on the question whether I am speaking at the present time on the resolution. However, I shall speak again on this subject.

I have something else to say with respect to the resolution itself. The income tax, the two per cent national defence tax and the tax in general are, I think splendid things. The graded income tax is perhaps more onerous than had been expected but it seems to be popular—more popular than unpopular. The general feeling was that we should have a policy of pay as you go. On the part of many people there was considerable worry lest the government should try to borrow a great deal more instead of taxing sufficiently, but that fear I think is out of their minds. The popularity of the taxes imposed upon the public is due, I believe, to the anxiety of the people to do something for their country. They feel that in paying these extra taxes they will be doing their bit. I hope that people in certain groups will still feel satisfied when they know the full extent of the graded tax.

I have a few observations to make with respect to the tax and its bearing on the life insurance business of Canada. I am not speaking for any private institutions; I am

speaking because I have a general knowledge of the insurance business and I view with apprehension the effect of this tax on possible borrowings from the savings of the people. I have had prepared a schedule of certain classifications showing the old tax, the increase, the new, the national defence tax and the total. These are given in different categories and I will read them so as to get them in *Hansard*. The figures are given in millions:

	Old tax Millions	Increase Millions	New Millions	National defence Millions	Total Millions
Under $2,000	1.3	6	7.3	21.5	28.8
Between $2,000 and $6,000	5.3	15.5	20.8	7.5	28.3
Between $6,000 and $20,000	12	24	36	3.9	39.9
Between $20,000 and $50,000	11.9	9	20.9	1.1	22
Over $50,000	17.3	3.5	20.8	1	21.8

The increase in the amount of the tax in the schedule is very great. The schedule of taxes collected in 1935 was obtained from a bulletin of the bureau of statistics, and the number of taxpayers which will be referred to later was taken from the bureau of statistics. The amount of the tax expected to be collected was prepared by the Department of Finance.

In the group of those whose incomes are under $2,000, hon. members will note that the increase is 1·3 millions to 28 millions; in other words, the amount to be collected in this group under $2,000 is 21·5 times that of the old tax collected, and the increase in the graded income tax is 6 millions. The tax collected from graded income tax will be over four times the old amount in the group whose incomes are from $2,000 to $6,000. The increase of the total tax is 5·3 millions to 28·3 millions, or over five times the amount will be collected from this tax than before. The graded income tax increase is 15·5 millions.

In the group whose incomes are from $6,000 to $20,000, the increase is from 12 millions to 39·9 millions, or well over three times what was collected before. The graded income tax increase was 24 millions.

The increase in the graded income tax in the group under $2,000, is 6 millions. From $2,000 to $6,000, it is 15·5 millions, and from $6,000 to $20,000, it is 24 millions. In these three groups, the increase in the graded income tax is 45·5 millions, or an increase in the amount to be collected from this group of nearly twice the amount of money which it was proposed to collect under the old tax. That is the increase. In other words, in these three groups, the increase in the total tax is from 28·6 millions to 97 millions, or an increase of 68·4 millions.

I am perfectly certain that the people are willing to pay these taxes. There is no doubt about that. But if the people are going to have to take their savings, either life insurance or savings in any other form, to be able to pay these taxes, very much will not be gained. It is the angle of danger to these life insurance policies which I think should be brought to the attention of the government.

In the group of $2,000 or under, there are 119,346 individuals who paid tax in 1939. No doubt some more will pay. In the group from $2,000 to $6,000, there were 122,494 paying the tax. In the group from $6,000 to $20,000, there were 20,297 taxpayers contributing under the graded income tax. Where are these people going to get the money to pay this large increase? A great many of them will get money in the easiest way. Most of the people in this group are in the more or less fixed income tax category, with salaries or fixed incomes, and in the higher brackets they receive income from capital and will be able to take care of the tax in that way. But even so it will mean taking savings. With the majority, however, the prospect of expanding income is small and they will have to turn to their savings, which, in this group, are made up largely of their investments in life insurance policies.

Another angle of the situation is that in the group of $2,000 to $6,000 there are 122,000 odd, and I am sure there will be between 20,000 and 30,000 people in domestic employment who will have to be put out of work, or insurance policies will have to be borrowed on. In the group of $6,000 to $20,000, there are 20,000 taxpayers, and another 20,000 domestics will be put out of work, or else these taxpayers will have to borrow on their policies.

It is well known that in periods of stress the life insurance policies suffer. To show this I shall give a few figures with respect to borrowings on life insurance policies between 1928 and 1932. In 1928 policy holders in Canada had borrowed $99,857,363 against reserves of $578,574,607, or 17·1 per cent. In 1929 policy

loans had increased to $118,000,000 on $640,-000,000 reserves, or 18·5 per cent. In 1930 borrowings had increased to $141,000,000 on reserves of $700,000,000, or 20·2 per cent. In 1932 borrowings were $181,000,000 on reserves of $770,000,000, or 23·5 per cent. Many of the policies borrowed on at that time have lapsed. Lapsed policies are no good to either the life insurance company, the policy holder or the country. I give these figures to illustrate how quick and easy it is in times of stress for people to resort to borrowing on their life insurance policies. Hon. members will observe from 1928 to 1932 policy loans increased by $85,000,000. With a return to normal times in 1938 and the increase of business which had been written, policy loans were reduced to $163,500,000 on reserves of $974,500,000, or 16·8 per cent, a drop from the high of 23·5 per cent. I repeat that between the years 1928 and 1932 they turned to their life insurance policies to the extent of $85,-000,000. I feel sure that people will turn to their life insurance policies to the extent of forty or fifty millions to pay this large increase in the graded income tax; for again I point out that the large proportion of the people in the categories of which I have been speaking are those with very little capital apart from their life insurance.

Let me turn now to another angle, the possibilities the government have of borrowing from life insurance companies. The blue book for 1938 shows that the premium income and annuity considerations received by life insurance companies in Canada was $202,000,000. That does not include other income. Unfortunately I am not able to get the total income, but we must remember that income from outside Canada must be used for business outside Canada. The disbursements against that income were $97,000,000, leaving $105,-000,000 for investment by insurance companies. That is an important source of loans to the government at the present time. That is the amount left for investment in government bonds by insurance companies in one year.

But life insurance companies will now be saddled with an added burden, namely the great service which they are going to do for the dependants of the people who are killed or die as a result of the war. The government is of necessity going to have to borrow very large sums for war purposes. If the government takes from the people of Canada by way of taxes all of a sudden such large amounts that the people have to borrow so largely on their life insurance policies, then the government cannot borrow that money. It is all very well to say that we do not care how we get the money, that we shall get it either by taxes or by borrowing. That is not the point. As I said before, if you are going to tax the people's savings you defeat your own purpose, when there are other ways of getting the money. There are over 6,500,000 life insurance policies in Canada to-day. No wonder one is apprehensive about that. Instead of taxing to such an extent the group of people to whom I have referred, namely, those who are least able to find the money, who now have a hard time to maintain their standard of living, there are other ways by which these taxes or at least part of them could be collected so as to soften the blow in the meantime and get them a little used to it. Remember that people take the easiest way. It is all very well for the government to say, We shall take your money away from you and then you will not be able to buy luxuries, but I am afraid people will sacrifice the necessities first and continue to buy the luxuries. People are only human; they require guidance and leadership. I point out that it was found impossible to give cash vouchers or cash to people on relief; what they could get had to be designated by voucher because they would sacrifice necessities to buy candy for the baby and luxuries for themselves, to go to the movies and so on. I shall come to the movies later. So we gave them designated vouchers instead of cash.

I agree that the increase in taxes generally was necessary. But a fifty per cent increase in the graded income tax in the group of which I have been speaking would have produced some $15,000,000, leaving in this group some $30,000,000 to be found. As I said before, the people require leadership. I feel that the government lacked judgment in this matter of where these taxes are to come from, as well as the extra savings required due to the war. Those two things go together. No doubt some will come from extra earnings on account of war activities, but the majority of the people are not going to have greater earnings unless we have inflation. People whose income remains the same will either pay this tax by refraining from non-essential spending or take it out of their savings, life insurance or other, and if taxes merely replace savings not much has been gained. Therefore to my mind it is most desirable that the taxes be applied as much as possible directly against the more non-essential articles, and also that a publicity campaign be undertaken by the government in an effort to curtail non-essential expenditures.

Other hon. members who have spoken have pointed out different ways by which taxes might be raised. For instance, there might be a sugar tax. I do not know what amount of money could be raised in that way. Then we might have an amusement tax, which

brought in millions of dollars during the last war. It is no excuse for the government to say that they are going to get the money with the least possible expense and that it might be a little more trouble to collect an amusement tax. Neither is it an excuse to say that we are leaving this field of taxation to the provinces, because at this very time we are invading the provincial field of taxation in imposing the income tax.

There are many other taxes which might be imposed. The hon. member for Danforth (Mr. Harris) pointed out that some $10,000,000 might be obtained through a tax on vegetable oils and $15,000,000 from a tax on petroleum products. And if ever there was a non-essential it is liquor. It is all very well to say that the law of diminishing returns would work with regard to liquor; that may be perfectly true, but that is what we want in war time with regard to such commodities. Then the people will have more money with which to pay other taxes. We should impose an additional tax of at least fifty cents a quart on liquor, and that would give us at least another $5,000,000. Then there are the silk stockings worn by women; there are cosmetics and all sorts of things of that kind that might be taxed. I do not like to go too deeply into this part of the question of taxation, but we all know of a great many of these non-essentials that might be taxed at this time. The people need guidance. I do not believe the government would have very much difficulty in finding from other sources the revenue that is expected from the increased income taxes, which as I have said probably will be borrowed from the insurance companies. At the same time a useful purpose would be served by imposing a tax on non-essentials in that it would bring about the conservation of labour for essential industries.

In conclusion I should like to say just one further word with respect to life insurance. To-day it is more essential than ever that life insurance companies should be kept in a liquid postion, and that life insurance policies should be kept in force. We do not know how many people are going to die as a result of this war, and the companies must have premiums with which to pay these losses. Policies on which loans are made usually lapse before long, and if you have lapsed policies you do not have money with which to pay claims. As I said before, the life insurance companies in Canada have a tremendous obligation toward the government in the providing of millions of dollars for our war effort. When the government is borrowing money the life insurance companies will not be able to sell securities with which to meet claims or buy government bonds. They must have an income by way of premiums, and they must not have lapsed policies or policies on which loans have been made, because they will be faced with death claims far greater than ever before.

I suggest that in the brackets with which I have dealt, certain reductions should be made, and I have another suggestion to offer which might help the minister. In Great Britain premiums on insurance policies up to a certain amount, and also up to a certain amount per thousand are exempt from income tax, so the matter of protection is looked after. I suggest that the government might easily make it attractive not to borrow on insurance policies, by granting exemptions to certain premiums.

Mr. ILSLEY: There is one matter to which I should like to refer at once; that is, the exemption for guest children. It is proposed to move an amendment to this resolution, which amendment I shall read at the proper time. I wanted to give the committee this information now, however, because I am sure a great many members intended to urge it and it may shorten the discussion if I say that I intend to see that this is taken care of by an amendment to this resolution.

Mr. HANSON (York-Sunbury): Four hundred dollars each?

Mr. ILSLEY: Yes.

Mr. GRAYDON: I want to thank the minister for telling the committee of the amendment which he proposes to move providing exemptions for guest children brought to Canada. This matter has been receiving a great deal of attention throughout the dominion, and I think the minister should be congratulated upon having attended to it at an early date.

I should like to bring to the minister's attention a matter in connection with the exemptions under the income tax for contributions to certain patriotic organizations in this country. This is a problem which confronts us in one of the communities which I represent. As I understand the situation, contributions to certain patriotic organizations making a nation-wide appeal in the dominion and approved by the Secretary of State are exempt up to fifty per cent of the net income of the donors.

Mr. ILSLEY: That is correct.

Mr. GRAYDON: According to the income tax returns for 1939, which were filed at the

end of April of this year, it would appear that so far approval has been given to the following organizations:

Canadian Red Cross Society Fund; Canadian Legion War Services Fund; Canadian Y.M.C.A. War Services Fund; Salvation Army Red Shield War Services Fund; Knights of Columbus Canadian Army Huts Fund.

A number of towns and municipalities have felt that there is quite a duplication of appeals, leading perhaps to additional costs, and in addition a good many men and women who contribute to these funds and patriotic endeavours find it difficult to budget their contributions. The Red Cross makes an appeal; no other appeal is mentioned at the time, but a little later the Salvation Army makes another appeal. Sometimes it is difficult for people to budget on that basis.

I want to point out particularly that in many of the towns committees have been set up to deal with these appeals. In the town of Brampton we have what is known as a win-the-war committee, which is endeavouring to take charge of all appeals by patriotic organizations in the town. This committee proposes to make one or perhaps two appeals a year and to disburse its funds to the Red Cross, the Salvation Army, the Canadian Legion and so on in a certain fixed proportion. But anyone who contributes directly to this win-the-war committee appeal, as I understand it may not be entitled to claim the fifty per cent exemption in regard to such contribution, and I believe this has been confusing the minds of a number of people. I think it should be made clear to the minister that the funds collected by such committees do not go only to these five specified objectives, but go to other worthy war work as well. I think the point raised might well be cleared up by the minister or by the officials of his department so that those of our patriotic citizens who are anxious to contribute will not in any way be prejudiced, so far as their income tax exemptions are concerned. I should like the minister to clarify that point.

Mr. ILSLEY: The situation is this: If a person goes to one of the five organizations to which the hon. member has referred, he is allowed his gift as an exemption from his income, up to fifty per cent of his income. That sounds like quite a privilege, but practically it is not a great privilege, because as I am informed by the commissioner of income tax, from general observation it is clear that only a very, very small proportion of givers give more than ten per cent of their incomes to charities.

The hon. member seemed to say, if I followed him correctly, that there was no exemption, or that no deduction was allowed if a donor gave to an organization other than one of these five. But that is not correct. He is allowed a deduction up to ten per cent of his income if he gives to a community chest or to any charitable organization. That has always been the law—in fact it has been the law since the income war tax was inaugurated in 1917. That has not been changed.

It is true that by a measure passed here in September of last year the deduction in respect of certain charities approved by the Secretary of State was raised from ten per cent to fifty per cent, and we have received a great many protests from persons interested in civic charities, charities which do not come under that heading, and are not one of these five. This is a matter of some difficulty. It was gone into carefully, and we decided the best way to deal with it was to make sure that the number of national war charities was strictly limited. Therefore approval has been given to only five. That reduces the disadvantage under which the civic charities labour. That disadvantage is very small indeed, for the reason I have stated, namely that very few people give more than ten per cent of their incomes to charity.

Mr. CHURCH: I should like to speak for only three or four minutes respecting the income tax. So far as I am concerned, the amendments in the first section will cover the whole act. In my opinion the minister ought to tell the committee now just what the provinces are going to do in this matter. When parliament by what I called the law of the jungle took municipal revenue away from the municipalities, so far as income tax was concerned, I placed a substantive motion on the order paper.

The first measure respecting income tax was passed in 1917, and I contend that 84 per cent of the returns from that tax were collected from the two great industrial provinces of Ontario and Quebec. I raised this question when one of the predecessors in office of the present minister, the late Hon. J. A. Robb, held office as head of the Department of Finance. The matter was debated for a couple of days, and arguments were heard respecting whether or not arrangements had been made in 1917 to limit the extent to which revenues could be taken from the municipalities. Before 1917 those municipalities had this whole field of taxation to themselves. I say that to the year 1917 the whole field of taxation in this respect was in the domain of the municipalities.

There is a desire on the part of everyone to pay his taxes promptly, if he can. In passing, may I congratulate the minister's able deputy,

Mr. Elliott, K.C., who has done such great work for many years to administer this act impartially and help industrial workers. But I would point out to the minister two or three matters which were suggested at the time when the federal authority took over this type of taxation. At that time it was pointed out that the action of the federal authorities was illegal under the British North America Act, and upon that occasion the minister said he would look into the matter.

Municipalities are being starved to death, and they are carrying burdens they were never intended to carry. In these days they are faced with expenditures for relief, hospitalization, and all that kind of thing. Now the federal government has gone to work and has taken away income tax revenues which, in the large cities, formed one of the main sources of revenue. As a result the municipalities are starved. Real estate has been confiscated.

To-day provincial legislatures are imposing additional provincial taxation, and taking away municipal revenues, and as a result the municipalities are being robbed of revenue. I do not know where it is going to end. Surely the federal and provincial authorities cannot be permitted to collect from the same sources in exactly the same way, one directly and the other indirectly. I asked for a stated case when the income tax legislation was first introduced. However we find at every session amendments made to the income tax act. My suggestion was that a stated case should be permitted under the Supreme Court Act, asking first of all whether the dominion government has the exclusive right to this type of taxation and, second, if it has the right not only to assess but also to collect and indirectly to levy as an agent on behalf of another provincial authority on the very same source? Has it the right to collect from A, B, C or D in different parts of the country, in triplicate the very same tax on the very same class of property? This type of overtaxation and overgovernment is driving the smaller wage-earner to the wall. That is what is doing it.

These small men know what their incomes are. Business men are receiving fixed salaries. I do not wish to delay the passage of the resolution, but I hope the minister will have some statement to make respecting action which may be taken by the provinces. Are they going to go to the same class of workers and collect in the same way and increase their levies also?

Some years ago there was a proposal in the house to give the provinces the right to levy sales taxes, which, if effective, would have meant duplicate sales taxes on sugar, tobacco, coffee and things like that. The measure passed the house, but was defeated in another place.

My third point is one I raised on May 18, May 23, June 15 and June 18 that about two-thirds of war taxes should be charged to capital and one-third to income. The hon. member for Parkdale (Mr. Bruce) is not in his seat, but I am afraid he has been stealing my thunder along this line although he made a good speech. I say that because at the war session I pointed out that this generation was suffering in flesh and blood through its efforts in connection with the war, and that it should not be asked to pay these huge rates. The poor industrial workers in the industrial centres should not be asked to make payments along the lines indicated. I suggested that two-thirds of war taxes should be charged to capital and one-third to income.

During the first war session the minister said that he could borrow money for two-thirds of one per cent. An answer to a return received to-day shows that United States banks cannot get one-eighth of one per cent for it. My point is that the government is all wrong in respect of its collection of this revenue. It should charge two-thirds or three-quarters to capital, and only one-third to income. It is suggested that $286,000,000 is to be collected from this tax, 84 per cent of which will come from the industrial provinces of Ontario and Quebec.

One further point is this: I believe we should have a fairer way of collecting the money. In view of the heavy burden of taxation the minister should communicate with provincial authorities and ask if they are to impose increases in income tax also. The dominion should return one-third per cent of its income tax to the municipalities. We know that in 1917 the Ontario government assessed one mill on municipal assessment for war purposes, although it is clear under the British North America Act that militia and defence are matters which come under the federal authority. Not by the widest stretch of the imagination could it be said that that mill revenue received in that way in 1917, 1918 and 1919 was for war purposes. It was made to bolster up provincial revenues, although it must be admitted that they did give some grants for patriotic purposes. I admit that.

Surely the day is coming when there can be some relief for municipalities. Why should they be burdened, the way they are now? I believe these rates are too high for the lower classes of people, and these high taxes are going to bring about wholesale confiscation of real estate in Ontario and Quebec.

Last month I asked for a moratorium on mortgages, but the government would do

nothing about it. In addition I would point out that I fear this budget is going to lead to serious labour troubles in this country between employer and employee because many employers have advanced money to employees, and many industries are closed up now, so how are these men going to be able to pay?

I also ask why the time of collection should be around the first of May, after the municipalities have all sent out their civic bills. Then along comes this government with its demand for the income tax. It is announced from Queens park that the province is going to cut the relief grants this year by nearly one-third, although the cities and towns have already budgeted for given amounts from the provincial and federal governments. I ask that more consideration be given to this matter. I doubt whether the federal authority has power to act as agent for the province and levy a duplicate tax on the same property indirectly and not only make the assessment but determine the method of collection. I fear the provincial authorities will add one or two mills to the municipal tax rate on account of the war indirectly and by their failure to aid relief.

We passed a Canadian patriotic fund bill last September, and many agencies are collecting money for various war objects. Surely there should be cooperation and coordination between the dominion and the provinces with regard to all these war levies. The minister ought to tell the committee whether the various provinces are going to mark up their taxes and whether we are going to have a system of taxation such as we had during the great war, which amounted to confiscation of property. Something will have to be done to relieve the burden on real estate and on the municipalities. I think the dominion should hand back to the cities and towns one-third of the income tax which they collect.

Mr. MARTIN: In rising to make but one observation I should like to take this opportunity of congratulating the Minister of Finance (Mr. Ilsley) most heartily. I suppose every private member has a pet cabinet minister, and I must confess, although it is an indiscreet thing to do, that the Minister of Finance is one of mine.

Mr. HANSON (York-Sunbury): What are you looking for?

Mr. MARTIN: I am capable of being magnanimous if the hon. gentleman is not. On May 24 I asked the following question:

> Is it proposed to amend the Income War Tax Act so as to restore the provision whereby the pay and allowances of officers and soldiers of the armed forces of Canada was exempt from taxation?

That question quite properly was not answered because, as the Minister of Finance of the day said, it was a matter of government policy. But I do urge to-night, Mr. Chairman, that we should restore on the statute books of Canada this provision of the old Income War Tax Act. While I can appreciate that there are difficulties, particularly in the case of men in our armed forces with very large incomes, it is wrong in principle to ask a man to serve in the armed forces of the country and then to deduct from his pay, particularly from that portion which he receives for his services to the state in time of war, a certain amount by way of income tax. It strikes me as being wrong in principle, and in many instances it is unfair. I have talked this matter over with the commissioner of income tax and with the minister himself and others, and I appreciate that there are difficulties, and serious difficulties, but I know of one unit in particular to which the restoration of this provision would be of tremendous assistance. We should give every encouragement we possibly can to those who are in our armed forces. Some may suggest that they are well paid in comparison with the troops of other countries. That may or may not be so, but I feel that the principle of taxing men who are thus engaged is unfair, and for that reason I rise to offer my word of protest.

Mr. DIEFENBAKER: I rise in support of what has just been urged by the hon. member, and to add something to what he has said. Prior to 1932-33 there was a section in the Income War Tax Act providing that certain incomes were exempt, and amongst those exempt were:

> Any pension granted to any member of his majesty's military, naval or air forces, or to any member of the military, naval or air forces of his majesty's allies for any disability suffered by the pensioner while serving in any of his majesty's forces or in the forces of his majesty's allies during the war that began in August, one thousand nine hundred and fourteen, and any pension granted to any dependent relative of any person who was killed or suffered any disability while serving in the said forces in the said war.

That provision remained in the act until the 1932-33 session, at which time it was repealed, no doubt for good and sufficient reasons at the time. But having regard to the fact that men are being asked to serve and are willingly doing so—and I am sure the minister will be as sympathetic to this suggestion as other hon. members—I think the repealing section should be removed and the old section which I have just read be reinstated as it was prior to 1932-33.

So far as the national defence tax is concerned, section 18, subsection 8 (c), now provides:

(c) members of the Canadian naval, military and air forces shall be exempt from tax while such members are on active service beyond Canada or are on active service in Canada—

That is the material portion. If "active service within Canada" is to be interpreted as contemplated by the words "active service beyond Canada", then I suggest that this paragraph be amended to read:

all those who are enlisted, whether on active service or not, within or without Canada, shall be exempt from payment of the national defence tax.

They are making their contribution already, one that goes beyond any money contribution, and therefore I suggest that it would be only fair and reasonable, as well as a kindly gesture on the part of parliament, that they be exempted from payment of the national defence tax while on service.

Mr. GREEN: I pointed out that very fact, Mr. Chairman, in speaking in the budget debate the other day. As section 18, subsection 8, paragraph (c) is now worded, a private serving in the active service forces in Canada and having a dependent mother to whom a dependent's allowance was paid would have to pay the national defence tax. Surely that is not fair. If a man is serving in Newfoundland he does not have to pay the tax, but if he serves anywhere in Canada he does. I suggest that all of these men who are enlisted in the active services forces at any rate should be exempted from payment of the national defence tax.

Mr. ROSS (Souris): I should like to support what has just been urged upon the minister. I think it is unfair that those who are serving in the naval, or air forces should be exempt from payment of the national defence tax while those in the military forces have to pay the tax. The hon. member for Vancouver South has pointed out that a single man with his mother dependent upon him pays a tax of $9.96 to the national income after his deductions are taken off, and I wonder whether the minister could not see his way to reenact the legislation which, as was pointed out by the hon. member for Lake Centre, was formerly in force. It seems to me that at least the private soldier and the non-commissioned officer serving in the militia should be exempted from all taxation. I should like to see the same legislation in force as we had some years ago, but if that cannot be done, bearing in mind that the private soldier and the non-commissioned officer are making a contribution which the rest of us are not making, I think they are entitled to exemption. The small financial sacrifice involved in this contribution means a great deal at this time to these men and their dependants.

Mr. ILSLEY: I made some inquiries about the national defence tax to which reference has been made. While strictly speaking that is not the resolution under discussion at this moment, it is related to the resolution under discussion, and perhaps I might say a few words about it.

To begin with, I think that perhaps the previous Minister of Finance was guided to some extent by the practice in Great Britain. I know that inquiry was made by cable as to whether Great Britain exempted members of her forces from income taxation, and the reply was that, if they are residents of the United Kingdom, they are not exempted from income taxation.

Mr. HANSON (York-Sunbury): That is, on their pay and allowances? We are dealing with pay and allowances.

Mr. ILSLEY: Yes; I am dealing with their pay and allowances. There is no exemption; they are taxed just as other citizens are.

It is true that when, at the very end of the last war, we introduced the Income War Tax Act, there was an exemption, which was subsequently repealed. I was not present at the discussions, but naturally the question arose—it must have arisen—whether an exemption was to be introduced into this war tax act. Exemptions of course are popular; they are easy to urge; and perhaps this exemption should be made. I am willing to take it into consideration. I have not yet had an opportunity of giving any consideration to it. But I do point out that, so far as the graduated tax under the Income War Tax Act is concerned, it will affect mainly officers, and that the provision would exempt a great many persons in the Canadian active service force who are in Canada and perhaps will remain in this country during the whole or most of the war. There is also, as I said, the experience of the United Kingdom. Great Britain is not exempting these classes. Those are the considerations that apply. They apply much to the same extent to the national defence tax.

About all I can say at the moment is that I have listened attentively to what has been urged by hon. members. The matter will receive every consideration, but I cannot give any assurance that we will introduce those exemptions.

Mr. HANSON (York-Sunbury): The minister has promised to give consideration to the suggestion, and I would recommend to our hon. friends who are urging it that they await his decision. I believe that the appeal will not fall to the ground. Even though the revenue will suffer a little, I think the minister should do this for the psychology of the thing, especially with reference to the national defence tax. I am not so much concerned about the officer class; they perhaps can stand the tax better.

I did not rise, however, to discuss this matter; I thought I would leave it to the soldier members of parliament. I should like to direct the minister's attention to another subject matter which comes directly under this paragraph of the resolution, that is, the personal income tax. It is this portion of the budget with which I have the most quarrel, because I consider that the minister has taken advantage of a group of people who have a certain ability to pay but who will be asked under this budget to pay an undue portion of this war revenue. At page 1251 of *Hansard* I put on record a statement of what was paid in the period 1938-39, and I called attention to what I thought was the case, that under this budget the greater portion of the sacrificial taxation to which the minister in his statement referred was being concentrated upon a handful of people in the lower middle brackets.

The minister in his statement at page 1024 of *Hansard* gave a general statement as to income of the same year—what was available, what was derived from a certain groupings of taxpayers, and what was expected. I wonder whether the minister or the officials of the income tax branch have any record for the taxation period 1938-39 of the number of people in these various groups in the lower middle brackets who paid income tax from income derived purely from fixed investments and trust funds. Could these officials give any information on that point? These people to whom I refer have maintained a certain standard of life. Those in the lower brackets above $5,000, in my community at least, are the people who bear the burden of all the public appeals which have been made for charity. They are living on incomes from invested capital; as the minister is aware, in the last few years rates of interest have fallen and fallen in an appalling degree, and when they come to reinvest they can do so only at very low rates of interest, with the result that their returns from fixed capital are diminishing in an alarming degree. I know that is so, from my clientele. They have the greatest difficulty in keeping up the standard of living to which they have been accustomed and in making their contributions to community efforts. These are the people who have the ability to pay, because they have fixed cash incomes. They are making a great sacrifice. I wonder whether the minister or the officials can give us the number of people in these lower brackets who make returns—if they cannot supply the information to-night perhaps it can be had at a later stage of the proceedings—whose income is derived from invested capital or trust funds.

I have in mind the case of a widow who has money left her, put out at interest, who finds herself, owing to the reduction in the rate of interest, with her capital cut in two, and who, although yet in these brackets at a greatly reduced rate, is required to pay about three and a half times what she paid in 1938-39. These people will pay, of course, but one immediate result is that either they will lower their standard of living or they will let a servant go, thus adding to unemployment. I know of an immediate reaction of that kind. A man said to me, "Oh, well, I will have to let my chauffeur go. He has been with me ten years—and a very faithful man, too." What will happen to that chauffeur? Probably he is too old to enlist. He will join the ranks of the unemployed and the community will have to keep him. That is an illustration of one of the effects of this drastic taxation on people in that category.

I may not have been very clear in my presentation of the position, but perhaps I have been sufficiently clear for the minister to understand what I am driving at. How many of the 22,000 people referred to are people in the possession of fixed incomes from investment or trust funds, and what will be the effect on them of this additional taxation? They will pay; of course they will. But they will find it very difficult and I am afraid of the effect of this greatly increased taxation—not upon their standard of living, because I am sure that most of those who have any heart at all will not dismiss their servants, although that is the tendency. Can the minister give us any information along that line? I have had it figured out in two or three cases that this tax on people between $5,000 and $15,000 will represent about five times what it did before. That is not equality of sacrifice at all and that is the main quarrel I have with the budget.

Mr. ILSLEY: With regard to the request for information, I have asked the commissioner of income tax whether this information is now available and he tells me it is not. In order to get the proportion of the income of these taxpayers which is derived from investments, the extent to which such income is derived

from investment, the number of cases in which there is investment income, and the amount, it would be necessary to go through every file.

Mr. HANSON (York-Sunbury): That has not been done?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): Then I will not press for it if it is not available. I would not ask the staff to do that. But the minister sees how important it is. It seems to me that the department—with all due deference to them, and all respect and all the other terms that I might apply to them—might have had that information for us. Perhaps it was never asked for. I impress upon the minister, however, that this income tax will bear very heavily upon such people.

Mr. ILSLEY: That is no doubt true, but it is useless for us to expect everyone to keep up his standard of living through this war. Every member of the house can make an argument successfully to show that certain standards will have to fall, and I should hope that they would fall by persons refraining from spending money for many of the non-essentials for which they do make expenditures. But they will certainly have to do that sooner or later and probably sooner. That is what this war means—

Mr. HANSON (York-Sunbury): That is what this budget means.

Mr. ILSLEY: —and arguments based upon the undesirability of making some sacrifices in expenditures are arguments which, although they can be successfully made, do not in my opinion lead to any useful conclusion.

Mr. ROSS (St. Paul's): In the remarks I made a little while ago, that was exactly the point I tried to make, that the people need some guidance as to what they are to do. As the leader of the opposition has said, many of the people in these categories—and I am not joking about the matter—will of necessity have to give up certain domestics whom they have been carrying before. What would the government suggest that these people should give up instead of letting these domestics go? With respect to the dollar a year men, what is the intention of the government regarding living allowances and so on? Will their remuneration be taken account of in their income? Will they be allowed to deduct expenses, or what is the policy of the government in that regard?

Mr. ILSLEY: I want to give an accurate answer to that inquiry about the dollar a year men, and perhaps, since we cannot finish to-night, I had better get a little more clearly in my mind than it is at the moment the exact position in that regard. I would have said, but for the commissioner of income tax, that living allowances are income and taxable accordingly, but the commissioner tells me that there is a possibility of accounting for expenses which are not subject to income tax. The degree to which that is permitted is something in regard to which I wish to get more exact information.

Mr. HANSON (York-Sunbury): While the minister is considering that question I should like him to give attention to another matter which I shall mention. It is under section 18 of the national defence tax. I am advised that the income tax branch, or the authorities, have ruled that the national defence tax cannot be collected by employers whose employees work on a commission basis but must be paid as an income tax return on April 30 like other income tax. The reason is that there is no means of determining the correct annual return to the employee, and whether it would exceed $600 or $1,200 as the case may be. He might not earn anything, or he might earn very little. I am further advised that the authorities have decided that when a commission employee makes his return on April 30, of the national defence tax due, it not having been deducted in advance, he will be assessed a penalty for failure to have it collected at its source by the employer. That is to say, there will be a penalty if it is not paid to the employer, who does not know what it is going to be or may not have ascertained it. This seems fantastic to me and I think some arrangement should be made to meet that situation. I shall send over to the minister the memorandum I have. It may help him to clarify the position and give me a considered answer at a later date. I am sure the commissioner of income tax understands about it. This penalty for failure to have the tax collected at the source, so far as income on a commission basis is concerned, seems to me to be a hardship and I should like the minister to consider it.

Mr. COLDWELL: I have listened with a good deal of interest to the discussion that has taken place regarding these schedules, and I may say that I am not particularly impressed with the argument that certain people are not going to be able to continue hiring chauffeurs or have as many domestic servants as formerly. I am not altogether impressed either with the arguments brought forward by the hon. member for St. Paul's (Mr. Ross) with regard to life insurance policies owned by the groups that are rather better off.

To my mind the income tax is probably the fairest way of collecting revenue because it is a tax most nearly approximating ability to

pay. I am interested in the exemptions because I believe that the reduced exemptions in the lower brackets are going to work something of a hardship and may have something of the effect that the hon. member for St. Paul's suggested; that is, cause people who really need the protection, people in the lower salaried groups with young families, to have to curtail or even to drop their life insurance. That might have an effect upon our economy in future years, and cause difficulty. But when we compare our slightly higher brackets and the middle brackets with the same groups in Great Britain for example, we find that our increase is not as steep in the higher brackets as in the lower brackets. I have before me worked out a comparison of the remaining income of a married man with no dependants after the income tax has been paid, because, after all, it is not so much a question of what the taxpayer pays as the amount he has left that is important since that affects his standard of living. I find the amounts remaining to a taxpayer in Ontario, counting the Ontario tax as well, and in Great Britain, respectively, would be as follows:

	Amount remaining	
Income	Ontario	Great Britain
$ 4,000.....	$ 3,615.50	$2,921.50
5,000.....	4,396.38	3,546.50
10,000.....	7,663.65	6,449.93
15,000.....	10,356.65	9,006.17
20,000.....	12,969.10	11,284.93

The Ontario taxpayer of the same income group has a larger amount left than the British taxpayer, and as the income increases, the gap widens.

We have to raise the money. We can perhaps issue a certain amount of currency and credit which ultimately, unless rigidly controlled, brings about a degree of inflation, which is a tax upon the fixed income and wage-earning groups particularly. So we have to raise most of the money by taxation. Therefore it seems to me we cannot devise a fairer way of raising it than by income tax on a graded scale. I noticed that the hon. member for St. Paul's said that if the government takes the money from the people in taxes, the government cannot borrow. I believe that this government and this parliament decided in September last that we should endeavour as far as possible to put into effect a pay-as-you-go policy; that we have no right to hand on to the generations to follow us obligations that it is possible to avoid.

He went on to say that there are other ways of raising money than by taxation. Immediately there arises the question, what other ways? He gave several other ways, which I jotted down. One was a sugar tax. Already sugar is taxed; already the price has gone up. Sugar is a necessity of life. It seems to me that the people who are buying sugar and using it are already bearing a considerable burden. At a later stage in this debate I want to say something about sugar prices, because I have wondered why the price of sugar has increased in recent days. We should not tax the necessities of life if we can avoid it. A tax on vegetable oils was also suggested. It is true that at the moment lard is cheap, but vegetable oils may become during the war a substitute for more expensive shortening, and it seems to me we have no right to consider relieving the people who are going to have to dismiss their chauffeurs or footmen or domestic servants and place the taxes on necessities of life like sugar and vegetable oils. As to liquor, of course I agree that it should be taxed, and if by doing so you stop the use of it, that is perfectly all right with me, but in that case you would not get the revenue and would come to income tax in the end anyhow.

I just rose to speak because I thought the debate was going off in the direction of leaving the impression that we on this side of the house thought the income tax in the higher brackets would work a hardship on all the people, and I should not like the minister to think that. I believe the majority of hon. members believe that we have to get the money for the war effort where the money is available, and in spite of the fact that under the government's proposals everyone will have to reduce his standard of living, the people who can do most easily and with the least suffering are those who enjoy the larger incomes.

As to life insurance, since that subject was introduced, may I say that I hope to see the day when life insurance, which under our present system is a necessity, is handled through the state. This business of paying commissions of 30, 40, 50, 60, 70 or 80 per cent—

Mr. ROSS (St. Paul's): I rise to a point of order. I was called to order for not sticking strictly to the resolution. I think the remarks of the hon. member at the present time are not strictly within the compass of the resolution.

Mr. COLDWELL: Before you give your ruling, Mr. Chairman, may I speak to the point of order? I have introduced into the debate nothing new; I am simply replying to some arguments raised by the hon. member for St. Paul's.

The CHAIRMAN: I point out that when the hon. member for St. Paul's was called to order he was discussing the advisability of

the government spending money on brass bands and music that might be used to stir up patriotic sentiments of the Canadian people, and I could not see any link between the item before the committee and that kind of discussion. The hon. member for Rosetown-Biggar was discussing the income tax and possible alternatives, and the alternative which he was discussing had been suggested before during the debate. So, although it may be somewhat remote from the particular schedule before the committee, I believe that it is sufficiently connected with it to be in order.

Mr. COLDWELL: Thank you, Mr. Chairman. I was saying that in my opinion we have a vast field in which we may work and that while to-day life insurance is perhaps a necessity, as the hon. member for St. Paul's claimed, and is useful, yet, on account of high commissions paid, it is a wasteful way of protecting ourselves against future difficulties. I noticed, for example, that the hon. member for St. Paul's spoke of the accumulated power of the insurance companies. He mentioned that last year, I think it was, they collected $202,000,000 and paid out $97,000,000. He said he had not the amount of their income derived from other sources, that is from bond investments and so on, but this left a balance of $105,000,000 which might be invested by the companies if it were not taken by taxation. I have a great deal of sympathy for the point of view that the taxes will reduce certain commitments which have been made in the past by perhaps everyone having an income, but we have to bear in mind that this war ought to be paid for largely out of the current income of the nation, unless we are going embark on a tremendous wave of inflation; and that in order for us to pay for it out of our income, it will be necessary for those who enjoy a high standard of living to accept a somewhat lower standard.

My criticism is from exactly the opposite point of view, that we are beginning too low; that the income of $612 on which the national defence tax is applied is altogether too low. The same thing may be said of the income of $1,200 for the married man and the exemptions for income tax of $750 for a single man and $1,500 for a married man. Both exemptions are too low. I have no sympathy, however, with the idea that people who are earning from $3,000 to $50,000, or whatever the limit may be, are being treated harshly under this budget. I believe they are the people who have the money; and where we can find the money, there we must take it. That is what I rose to say.

[Mr. Chairman.]

Mr. BLACKMORE: I think I should have something to say about two matters which have come up in the last few minutes. The Minister of Finance said he did not see how we could possibly avoid lowering the standard of living. I have learned to appreciate highly the minister's good judgment—

Mr. ILSLEY: Not everybody's standard of living, but there will have to be some lowering in some instances.

Mr. BLACKMORE: That is what I was going to say; I am glad the minister said it. But, Mr. Chairman, I think we ought to recognize the fact that in a land of abundance such as Canada it is not necessary to decrease the standard of living of the great majority of the people. There is plenty of every kind of food in this country and great resources with which we can produce more food than we are now producing. Why, then, should anyone in this dominion go short of food? Plenty of clothing is being produced in Canada; there are plenty of factories to produce more clothing and plenty of sheep, and there is plenty of room for more sheep to produce more material from which to make more clothes. Why, then, should anyone go short of clothing in this country? Let us be realistic and face facts as they are. If we required so much food to conduct this war that there was not enough left for the people of Canada, then there would be an excuse for lowering the food standard of the people. But if we can produce more than enough to feed all our people and still supply all the food necessary to help our allies in their struggle, then there is no reason why we should have a lower food standard in this country. That is simply plain common sense.

These things need to be borne in mind very clearly. Let me say this, that I am going to rise and protest every time people begin to look down in this dominion. When we begin to talk about having to go on a lower standard of living we are talking defeat; we are saying what is unnecessary; we are looking down and tending to discourage the people. If this were not a land of abundance there would be some excuse for it. If this were not an age of abundance there would be some excuse for it. But this is a land of abundance and we are in an age of abundance. Let us bear that in mind. If there is danger of our having to go on a lower standard of living, the only reason must be that we are not producing enough. But if we are not producing enough, the measures we take should be those which will increase production. One great objection I have to this whole set up as outlined in this budget is that practically every

measure contained therein will decrease production. Taxes are put on the consumer so he cannot buy. If the consumer cannot buy, the producer cannot sell and therefore cannot produce. That fact must be borne in mind and must be faced realistically.

There is no reason why the standard of living in Canada should not rise right through this war, unless we should bring millions and millions of people here from England, as we may before the war is over. In that event we might not be able to produce enough food, clothing and shelter to maintain our standard of living. Then there might be some excuse for a lower standard. But unless some such thing happens; unless we have some national calamity as a result of which we lose our crops or in some other way have our production impaired, there is no reason why we should not have a rising of standard of living all during the war.

Mr. MacNICOL: May I ask a question?

Mr. BLACKMORE: Let me say the other thing that is on my mind before I forget it. I should like to say a word or two now with respect to the remarks of the hon. member for Rosetown-Biggar, so that he and I may get together.

Mr. MacNICOL: You two cannot get together because he argued that the standard of living should go down.

Mr. BLACKMORE: We want to be sure we understand each other. We are so likely to use different phraseology and think we differ in our opinions. Let us make sure what we mean by our phraseology. I gathered that the hon. member for Rosetown-Biggar said that state money, unless rigidly controlled, would cause inflation. I want to lay down the fundamental principle that that is not true.

Some hon. MEMBERS: Oh, oh.

Mr. BLACKMORE: Let us be realistic. If state money is loaned to men to produce sheep, that money has brought about an increase in the goods in the country and therefore has the very opposite effect to inflation. Let us adopt the realistic attitude towards inflation that has been adopted by the best thinkers such as Reginald McKenna and J. M. Keynes.

The CHAIRMAN: I should like to point out to the hon. gentleman that while some latitude has been granted he has exceeded the reasonable bounds of that latitude, having in mind the schedules now before the committee.

Mr. BLACKMORE: I wish to bow to your ruling, Mr. Chairman, but the hon. member for Rosetown-Biggar said it would cause inflation. Surely that statement ought to be answered, because it is untrue.

The CHAIRMAN: I allowed the hon. member for Rosetown-Biggar to discuss alternatives, but now we are entering into a discussion of inflation and monetary policy, which I think is too remote from the schedules now before the committee to be in order.

Mr. BLACKMORE: Then let us just forget that; we shall come at it from another angle. The reason why I stress this fact so much is that the fundamental concept upon which we must base a sound economy in this country if we are to avoid this lowering of the standard of living is the very thing we are talking about at this moment. It has been said, for example, that this war must be financed out of current production. I grant that. But if such is going to be the case, the all important problem for the house is to determine how to increase current production. The measures outlined in this budget are going to decrease current production; it cannot be otherwise. Once we get that clearly in mind I will stop talking about state money, and refer to bank loans. If the banks all over the country should suddenly decide that they would lend freely for the production of all manner of meats, all manner of vegetables and food products, immediately there would be automatically increased production throughout the country. If you are going to finance the war out of current production you certainly would have a sounder basis upon which to finance, if that were to occur.

The big problem then should be for this government as part of its policy to see to it that production all over Canada is increased to the greatest possible degree. Then there is something with which to finance the war. I do not wish to be out of order in what I say, but I should like to refer to what was said by the hon. member. If the money which he mentioned is used for creating production, there will not be any ill results.

There are two points on which I rise to comment, and the first one is that we necessarily have a lower standard of living. I challenge that statement, and will challenge it every time it is made in the house, because it is fundamentally untrue. It may be all right for a person so well off that he has to dismiss his footman, or for another person who may have to get rid of an attendant for his pet

dog. But I say that to begin to deprive people of a fair standard of food, clothing and shelter, a standard necessary to maintain a fit condition of health in the country, and a sound state of morale throughout the country, is going in a direction diametrically opposed to the best interests of the country, and is defeatism in one of its worst forms.

Mr. MARTIN: The minister did not say that.

Mr. BLACKMORE: I did not say whether he did or not; I am just making clear what I have to say. I have challenged the statement, and am making the position quite clear. I shall deal later on with the matter of inflation, a discussion of which at this time it is ruled is not in order.

Mr. ROSS (Souris): I believe one question in respect of soldiers' allowances has been missed. If the soldiers are not exempt, will the subsistence allowance be charged against them in the computation for taxation?

Mr. ILSLEY: Yes; that is part of their income.

Mr. ROSS (Souris): At what figure?

Mr. ILSLEY: It will be valued. It has not been valued, but it will be.

Mr. ROSS (Souris): I have some figures before me. I believe 85 cents a day is the subsistence allowance allowed a soldier when he is away from barracks on leave. I have before me some figures in which I place the allowance at 50 cents. For a single man the taxable income table might be set up as follows:

Single man, at $1.30 per day.....	$475.50
Board and lodging at 50 cents...	182.50
Widowed mother $20 per month.	240.00
	$898.00

The national defence tax at 2 per cent amounts to $17.96, and the tax credit of 2 per cent on $400 for one dependent amounts to $8, leaving $9.96. It is probably debatable whether an allowance is made for a dependent there.

Mr. ILSLEY: I think it would be.

Mr. ROSS (Souris): I think so, too. Then, in respect of a married man with two children the figures are as follows:

Married man and two children..	$475.50
	182.50
Wife, $35 per month.....	420.00
Children, $24 per month.....	288.00
Total.....	$1,366.00

[Mr. Blackmore.]

The amount here at 2 per cent is $27.32, and the credit of 2 per cent on $800 is $16 which, deducted from the $27.32, leaves $11.32. Therefore I think this might be taken into consideration: If this legislation cannot be brought about to exempt all the soldiers in the military forces, then at least soldiers and non-commissioned officers might be. It seems to me rather stiff that they should be charged subsistence allowance, along with these other things.

Mr. ILSLEY: As the hon. member knows, that does not apply when they leave Canada. It applies only in Canada.

Mr. ROSS (Souris): I believe the air force and the navy are exempt even in Canada; is that right?

Mr. ILSLEY: Certain members of the air force. The determining factor is risk, I am informed. The wording of the resolution is self-explanatory, although I forget exactly what it is. The idea is that those members of the air force who ordinarily subject themselves to considerable risk are to be put in the same category as soldiers overseas, and therefore not subject to tax.

Mr. GREEN: Would the minister clear up the point respecting the widowed mother of a soldier? It would seem that the last few lines of paragraph 18 (1) (b) provide for exemption in the case of a parent or grandparent over twenty-one years of age only if dependent on account of mental or physical infirmity. As I understand it, that would not cover a widowed mother who is not disabled physically. I believe that point should be made clear, because according to my understanding a private with a widowed mother would have to pay this national defence tax, if he is in the active service force in Canada. That would seem absurd.

Mr. ILSLEY: It is almost eleven o'clock, and I was wondering if the committee would permit the passage of the resolution. Hon. members are now raising questions in respect of a resolution we have not yet reached, namely, one relating to the defence tax. I would point out that we are now discussing the graduated income tax. We have had a pretty full discussion of it.

Mr. ILSLEY: I think the hon. member is right in what he says. However I shall look into the matter.

Resolution stands.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Tuesday, July 9, 1940

The house met at three o'clock.

NATIONAL REGISTRATION

APPOINTMENTS AND PROCEDURE—ORGANIZATION OF WAR SERVICES DEPARTMENT

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, according to dispatches and reports appearing in this morning's newspapers, the Minister of Agriculture (Mr. Gardiner), now the Minister of National War Services designate, is reported to have said in an interview yesterday that voluntary registration of every man and woman in Canada will be adopted over a four-day period during the last two weeks of August; and further, that Major General LaFleche is returning to Canada from England to be one of the deputy ministers in the new department, and with him, as joint deputy minister, will be Mr. Justice Davis, of the appeal court of Saskatchewan, already in Ottawa. May I ask the minister the following questions, of which I have sent him notice:

What are his proposals with respect to the taking of the national registration; and in particular—

(a) Will the country be divided into districts for registration purposes, and if so will the electoral districts be the basis of division?

(b) What public officials, if any, will be appointed to take the registration?

(c) Will an attempt be made to secure voluntary assistance as far as possible?

(d) How will those officials be appointed?

(e) What precautions will be taken to ensure that no patronage or partisanship will be exercised in connection with these appointments?

May I say most emphatically that the country is in no mood to tolerate partisan appointments. The first appointments made by the minister and announced last night are not such as to give the public confidence, either in the efficiency or in the non-partisanship of the administration of the department.

Some hon. MEMBERS: Order.

Right Hon. W. L. MACKENZIE KING (Prime Minister): May I say to my hon. friend that questions are for the purpose of getting information, not of giving it.

Mr. HANSON (York-Sunbury): Well, I have finished with that, so I will not return to it.

(f) Will a voluntary advisory committee, similar to the Canada registration board of 1918, be appointed to advise the minister regarding the problems of national registration?

(g) What procedure will be adopted to ensure that all persons are registered? Will all persons be required to report at designated places for registration, or how will it be carried out?

(h) What penalties, if any, will be imposed for failure to register?

Hon. J. G. GARDINER (Minister of Agriculture): Mr. Speaker, I could, if it were thought advisable to do so, give a detailed answer to each one of the questions, but I am afraid it would mean that I would have to take up at least the limit that is allowed to a speaker in the house. At the moment I wish only to say this, that when I was asked to assume the responsibilities of the post which will be created when the bill providing for this department has been passed, it was emphasized that there was need for great haste in getting the registration made. I believe that as a matter of fact the need of having that registration at the earliest possible date was emphasized in the house some days ago by the leader of the opposition (Mr. Hanson). That being so I have proceeded along lines provided for to a certain degree by an order in council passed under the powers of the National Resources Mobilization Act.

The announcement made last night was for the purpose of speeding up as much as possible the giving of information to the public as to what we proposed to do. We hope to have the registration, in so far as the signing up of names is concerned, completed by the end of the month of August. This morning I asked the proposed deputy, who has been suggested by one of the names now given to the house, to prepare a letter which I am sending to each of the members of the house, no matter on which side he sits, answering quite fully, I believe, most of the questions that are asked on the sheet which I have in my hand, and indicating the method by which we hope to proceed in making the registration. I might say shortly that we are attempting to follow as far as possible the suggestion made by the hon. member who sits to the right of the leader of the opposition in the speech which he delivered the other day, speaking, officially I think, as the opposition critic of the statement of the Minister of Finance in presenting the budget. We are following that suggestion as closely as we possibly can, knowing that hon. members, for the next two or three weeks at least, will be here in the house and will not therefore be in a position themselves to take part actively in the registration.

That, I believe, is all I need say at the moment. The letters will be in the mail boxes of hon. members this afternoon. Members will be asked to take certain action with regard to their own constituencies. We are requesting them to take action in the matter of the appointment of both the registrar and the deputy registrar in order that they may see to it that the suggestion that there may be some political bias in connection with appointments shall be met so far as their own districts are concerned. As stated in the letter which is being sent forward, these men will have authority to take action in connection with the different polling subdivisions, but to take that action jointly, neither having the power to act by himself.

I have only one comment to make touching the suggestion contained in the statement rather than in the question of the leader of the opposition. I do not know how familiar he is with the persons who have been suggested as deputy ministers, but I may say that one of them is a very highly respected member of the judiciary in a western province, who, I think, will compare favourably with other members of the bench in the various provinces from one end of Canada to the other. The other is a gentleman who served Canada well during the last war and has rendered equally valuable service since, and who I think will give a good account of himself.

I had in mind, in recommending these appointments, in addition to the other qualifications, the fact that both men have a reputation for getting things done, and I believe that if there is one thing more necessary than another in the prosecution of the war it is to get things done. I have no doubt these men will demonstrate the soundness of their choice and will show that they can get things done, and get them done without at the same time introducing anything in the form of partisanship during this time of war.

BRITISH CHILDREN

NUMBER OF HOMES AVAILABLE—BIRTH CERTIFICATES

On the orders of the day:

Mr. GORDON GRAYDON (Peel): I wish to direct an inquiry to the Minister of Mines and Resources (Mr. Crerar). In view of the fact that the Canadian people as a whole regard the providing of homes for children from Great Britain as a highly important war service, and having in mind that the committee in charge of the voluntary registration of Canadian women, as well as other organizations, have stated publicly that there are homes available in Canada for more than 100,000 British children, I should like to ask the Minister of Mines and Resources whether the government has advised the British authorities as to the number of homes so available. If so, what was the number so indicated and what, if any, limit was placed by this or the British government on the number of children who might so immigrate.

Hon. T. A. CRERAR (Minister of Mines and Resources): In reply to the lengthy question which the hon. member has asked me, may I say at once that I consider it wholly inadvisable and unwise to give any impression to the country that 100,000 homes have been offered. It is quite true that the organization mentioned in the question did report a large number of homes available, and I have no reason to doubt that they have received offers for 100,000 homes. But if I am correctly informed, as I think I am, a survey was made in certain localities and it was discovered that a very considerable number of homes were offered by people on relief. The house will agree with me, as I am sure the hon. member will, that it is not desirable for British children who may be brought to Canada for purposes of safety to be placed in homes that are on relief. It is therefore misleading to make the statement contained in the question.

I have stated to the house before that those who have homes to offer—and there are thousands upon thousands of them—should offer those homes to the appropriate provincial authorities, and that is being done. I have not before me at the moment the number of homes so offered to the various provincial authorities, but I can say that at the present time, to my knowledge, they are at least five times in excess of the number of children the British government has indicated to us so far that they are sending to Canada. There is no need for excitement or alarm about the matter.

I wish to give all the information I can to the house, and as a matter of fact on a former occasion I gave some information that was rather unfortunately transmitted, because it raised certain questions which led to some difficulties. In my anxiety to give information to the house I overstepped the bounds of propriety.

Mr. HANSON (York-Sunbury): We will forgive you.

Mr. CRERAR: The hon. gentleman will forgive me. While I appreciate his forgiveness and the forgiveness of hon. members generally, that does not get me out of the difficulty. As I stated before, the welfare

agencies of the various provinces are receiving the offers for homes. When an offer is made the home is examined by qualified public officers and its suitability is determined before the child is placed in it. That, I think every member will agree, is a wise procedure. In addition to that, after the children have been placed their welfare will be followed up.

Personally I regard this whole matter as one that throws a heavy obligation upon the Canadian people. When parents send their children to strangers thousands of miles away under these distressing circumstances it is certainly the obligation of those who have anything to do with their placement in Canada to see that these youngsters are placed in as good homes as possible. We may err in that respect, but I wish simply to assure my hon. friend and the house that we are devoting to the whole question the very best effort that we can put into it.

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): Is every refugee child accompanied by its birth certificate when it comes to Canada, and is it also accompanied by the form that was supposed to be filled out on the departure of children from England?

Mr. CRERAR: As regards the birth certificate, I am unable at the moment to give that information. I do not think the Canadian authorities would require a birth certificate. We do require a form to be filled out giving considerable information, such as the date of birth, the child's parents, their address, and other necessary information. It is of course necessary to see to it that these children do not lose their identity, as far as their parents are concerned, and steps have been taken to guard against this.

Mr. POULIOT: But does the minister realize that the question of birth certificate is of the utmost importance to the child itself?

Mr. CRERAR: I fail to see that at the moment. I have no doubt that the information could be secured later if necessary. I am not informed on that point.

Mr. POULIOT: But I am asking the minister if he realizes the importance of the birth certificate to the child itself. If he cannot show his birth certificate how can he prove that he is a legitimate child?

INTERNED ALIENS

REPRESENTATIONS AS TO NEED OF RELIEF IN DISTRICT 12, NOVA SCOTIA

On the orders of the day:

Mr. CLARENCE GILLIS (Cape Breton South): I should like to direct a question to the Minister of Labour (Mr. McLarty). I have received a telegram from Glace Bay in reference to relief for the families of interned aliens. It comes from district 12 in Nova Scotia. I would ask the minister if he has any knowledge of this situation.

Hon. N. A. McLARTY (Minister of Labour): The hon. member was kind enough to give me notice of this question, and a copy of the telegram which he had received. I immediately had inquiry made in the Department of Labour and found that no complaint had been received there as yet. It might be proper to point out that welfare for those who are in necessitous circumstances and dependent on internees is administered by the same method as ordinary relief aid, namely, through the municipalities and the provinces. The dominion does, however, contribute one hundred per cent of the cost. In view of the fact that the question was raised I asked the commissioner under the Unemployment and Agricultural Assistance Act to take it up with the Minister of Labour in Nova Scotia and have the matter looked into, and I am sure that is now being done.

CANADIAN YOUTH CONGRESS

MEETING IN MONTREAL—QUESTION OF ALLEGED COMMUNISTIC CONTROL

On the orders of the day:

Hon. H. A. BRUCE (Parkdale): I wish to direct a question to the Minister of Justice (Mr. Lapointe). On the twelth of last month I gave the name of the Canadian youth congress as an organization which should be banned, because it was controlled by communists. The next day I called attention to the proposed meeting of the Canadian youth congress to be held in Montreal last week, asking that it be prohibited. Mr. T. P. Slattery, a national co-president of the Canadian Catholic union, which quit the congress a few years ago because it was communistic, stated yesterday that communists control the Canadian Youth Congress although they are dishonest enough to deny it, but not clever enough to conceal it. In view of this statement will the minister consider banning this organization now?

Right Hon. ERNEST LAPOINTE (Minister of Justice): The Canadian youth congress in its inception was a movement general in its character, the purpose of which was to organize and group together the youth of Canada. Eventually the communists entered its ranks and tried to assume control, as is their usual practice. According to the reports I have in my department the instructions of communist leaders to the members of the party in recent

years have been to join other associations and organizations and try to assume control. They did that in some labour unions, for instance, and last year the instructions were even to join the army. However, as my hon. friend said, various groups which had joined the congress left it because of the tendencies of the leaders, and this congress does not at this time represent Canadian youth. I am sure that some of the resolutions they adopt I do not agree with, nor does my hon. friend either. But those I have charged to investigate the matter have reported to me as follows:

> The official policy of the youth congress concerns itself with youth problems of a general nature, and although radically inclined it cannot be termed communistic.

As to whether the association should be declared illegal under the defence of Canada regulations, I do not know that it is necessary or that it deserves such doubtful glorification or recognition. But I am quite willing to consider the suggestion of my hon. friend.

MUNITIONS AND SUPPLY

DEPARTMENTAL HEADS AND KEY MEN—PROPORTION OF FRENCH-CANADIAN OFFICIALS

On the orders of the day:

Mr. WILFRID LaCROIX (Quebec-Montmorency): On June 20, as recorded on page 933 of *Hansard*, the Minister of Munitions and Supply (Mr. Howe) tabled a list of the departmental heads and key men charged with the purchase of materials in connection with the Department of Munitions and Supply. Examining this list, made up of sixty-three officers, I find there is but one French-Canadian, Mr. A. P. Labelle. Would it be possible for the minister to change the situation so as to have a better proportion of French-Canadian officials?

Hon. C. D. HOWE (Minister of Munitions and Supply): I received a copy of this question only a few minutes ago and I have not had time to check the list. Offhand it occurs to me that the names of C. E. Gravelle and Beaudry Leman have been overlooked. However, I admit that we have not been able to attract as many French-Canadians to the service as we should like. Several have been invited to join in the work, but for business reasons have been unable to do so, much as they would like to. We are prepared to invite a few more, but the difficulty in inviting any business men to join the organization at the moment is lack of office space. A new office building will be completed within two or three weeks, and at that time we hope to extend invitations to several prominent French-Canadians to join our organization.

WHEAT

ADVISORY COMMITTEE ON MARKETING—QUESTION AS TO PERSONNEL

On the orders of the day:

Mr. A. M. NICHOLSON (Mackenzie): The Minister of Trade and Commerce (Mr. MacKinnon), in reply to a question asked by the hon. member for Qu'Appelle (Mr. Perley) in connection with the wheat situation, replied last night that if certain decisions are made one type of committee will be necessary, and if some other decision is made a different type of committee will be necessary. In view of the fact that harvesting operations will start in western Canada very shortly, could the minister announce this week the personnel of the advisory committee in connection with the marketing of wheat?

Hon. J. A. MacKINNON (Minister of Trade and Commerce): I have tried to make it clear, in answer to recent questions, that this is a matter of grave concern to the government at the present time. Committees that have been set up by parliament—and I refer particularly to the wheat board and also the board of grain commissioners—are at the present moment giving close attention to this subject. Meetings are being held throughout the country for the purpose of getting evidence which has direct bearing on this question. I am expecting representatives of these boards in Ottawa very shortly, when it is hoped that a decision will be arrived at on various matters, which will allow of an announcement being made in answer to the hon. member's question.

PASSPORTS AND VISAS

INQUIRY AS TO ESTABLISHMENT OF PASSPORT OFFICE AT NIAGARA FALLS

On the orders of the day:

Mr. NORMAN J. M. LOCKHART (Lincoln): I should like to ask the Prime Minister (Mr. Mackenzie King) if a passport office is being opened at Niagara Falls, as is being done at Windsor. I have contradictory reports in that regard.

Right Hon. W. L. MACKENZIE KING (Prime Minister): I am sorry I cannot answer my hon. friend offhand, but I shall make immediate inquiries and try to let him know before the day is over.

NATIONAL WAR SERVICES

ESTABLISHMENT OF DEPARTMENT TO CONDUCT NATIONAL REGISTRATION AND SURVEY, ETC.

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved that the house go

into committee on Wednesday next, to consider the following resolution:

That it is expedient to introduce a measure to establish a Department of National War Services, with power to the minister thereof to conduct a national registration and survey; to promote, organize and coordinate offers of voluntary assistance and public information services; to assist in carrying out the purposes of the National Resources Mobilization Act, 1940; to establish councils, committees or boards or use existing agencies to assist the minister; to empower the governor in council to prescribe the penalties for violations of the act; and to provide further for the employment of officers, clerks and employees necessary for the proper conduct of the business of the department and to authorize the payment of expenditures incurred under this act.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Some hon. MEMBERS: Carried.

Mr. MACKENZIE KING: Would there be any objection to allowing the resolution to be taken up immediately? I should not have inserted the word "Wednesday". I intended that the bill should be taken up on Wednesday.

Mr. HANSON (York-Sunbury): Would it embarrass the government if it stood over? I should like to read the resolution.

Mr. MACKENZIE KING: Very well.

Motion agreed to.

WAYS AND MEANS

The house in committee of ways and means, Mr. Vien in the chair.

INCOME WAR TAX ACT

Resolved, that it is expedient to amend the Income War Tax Act and to provide:—

1. That the rates of tax applicable to persons other than corporations shall be increased to the rates of tax set forth in the following schedule:

A.—Rates of Tax Applicable to persons other than Corporations and Joint Stock Companies

On the first $250 of net income or any portion thereof in excess of exemptions 6 per centum or

$15 upon net income of $250; and 8 per cent upon the amount for which the income exceeds $250 and does not exceed $1,000 or

$75 upon net income of $1,000; and 12 per centum upon the amount by which the income exceeds $1,000 and does not exceed $2,000 or

$195 upon net income of $2,000; and 16 per centum upon the amount by which the income exceeds $2,000 and does not exceed $3,000 or

$355 upon net income of $3,000; and 20 per centum upon the amount by which the income exceeds $3,000 and does not exceed $4,000 or

$555 upon net income of $4,000; and 24 per centum upon the amount by which the income exceeds $4,000 and does not exceed $5,000 or

$795 upon net income of $5,000; and 27 per centum upon the amount by which the income exceeds $5,000 and does not exceed $6,000 or

$1,065 upon net income of $6,000; and 30 per centum upon the amount by which the income exceeds $6,000 and does not exceed $7,000 or

$1,365 upon net income of $7,000; and 33 per centum upon the amount by which the income exceeds $7,000 and does not exceed $8,000 or

$1,695 upon net income of $8,000; and 35 per centum upon the amount by which the income exceeds $8,000 and does not exceed $9,000 or

$2,045 upon net income of $9,000; and 37 per centum upon the amount by which the income exceeds $9,000 and does not exceed $10,000 or

$2,415 upon net income of $10,000; and 39 per centum upon the amount by which the income exceeds $10,000 and does not exceed $20,000 or

$6,315 upon net income of $20,000; and 41 per centum upon the amount by which the income exceeds $20,000 and does not exceed $30,000 or

$10,415 upon net income of $30,000; and 44 per centum upon the amount by which the income exceeds $30,000 and does not exceed $40,000 or

$14,815 upon net income of $40,000; and 47 per centum upon the amount by which the income exceeds $40,000 and does not exceed $50,000 or

$19,515 upon net income of $50,000; and 50 per centum upon the amount by which the income exceeds $50,000 and does not exceed $75,000 or

$32,015 upon net income of $75,000; and 53 per centum upon the amount by which the income exceeds $75,000 and does not exceed $100,000 or

$45,265 upon net income of $100,000; and 56 per centum upon the amount by which the income exceeds $100,000 and does not exceed $150,000 or

$73,265 upon net income of $150,000; and 59 per centum upon the amount by which the income exceeds $150,000 and does not exceed $200,000 or

$102,765 upon net income of $200,000; and 63 per centum upon the amount by which the income exceeds $200,000 and does not exceed $300,000 or

$165,765 upon net income of $300,000; and 67 per centum upon the amount by which the income exceeds $300,000 and does not exceed $400,000 or

$232,765 upon net income of $400,000; and 72 per centum upon the amount by which the income exceeds $400,000 and does not exceed $500,000 or

$304,765 upon net income of $500,000; and 78 per centum upon the amount by which the income exceeds $500,000.

Mr. FRASER (Peterborough West): Has any provision been made in the act to permit taxpayers to prepay their 1940 taxes, either monthly or in any other way?

Mr. ILSLEY: No.

Mr. FRASER (Peterborough West): Many people will have to budget to make both ends meet if they are to raise this extra $300 or $400. They may have double the income tax they had to pay last year, and they were wondering if this could be done. If they are permitted to prepay the tax, is there any discount allowed?

Mr. ILSLEY: There is no provision in the act, nor is it proposed to insert any such provision. However, if anyone wishes to prepay his income tax he may do so; we will take the money.

Mr. HANSON (York-Sunbury): That leads to another matter which I should like to urge upon the minister. Under these personal income tax schedules the amounts payable under certain categories will be quite large. My own difficulty has been that I am asked to pay taxes in respect of money which I earned in the previous year and which usually I have spent. I am citing my own case, which I suppose is typical of a great many. I am in the difficult position, then, of having to dig up money, I will not say to pay for a dead horse but at least to meet a last year's bill. In certain municipalities they do make it possible for individuals to pay their taxes in monthly instalments. As the situation stands now under these schedules, on April 30 you pay either all or a very substantial percentage of your taxes, as prescribed by law, and then interest at five per cent is charged on the unpaid balance. At the moment I am in the unfortunate position of having a substantial unpaid balance—that is, substantial for me—on which I must pay interest at five per cent. Would the minister consider making it possible, for a substantial down payment to be made with the filing of the return and permit the balance to be paid say in three monthly payments, without interest? The interest may be substantial; I do not know what the revenue is from that source, but certainly I think this would be a great convenience to taxpayers who want to pay but who just have not the ready funds available. If the department could see its way clear to bringing in this new feature and permitting taxpayers to pay perhaps 33⅓ per cent or 40 per cent on April 30 and 15 per cent during each of the succeeding four months, without interest, it certainly would be a great convenience to taxpayers like myself, in needy circumstances.

Mr. ILSLEY: There is such a provision in the act now.

Mr. HANSON (York-Sunbury): I did not know it.

Mr. ILSLEY: It is section 48 of the Income War Tax Act, which reads:

> Every person liable to pay any tax under this act (except any tax payable under section eighty-eight hereof)—

Mr. HANSON (York-Sunbury): What is the exception?

Mr. ILSLEY: I will look at it in a moment.

> —shall estimate the amount of tax payable by him and shall send with the return of the income upon which such tax is payable not less than one-third of the amount of such tax and may pay the balance within four months thereafter, together with interest at the rate of five per centum per annum upon such balance from the last day prescribed for making such return to the time payment is made.

Section 88 deals with the gift tax.

Mr. HANSON (York-Sunbury): I knew about the provision for deferred payment, but that is with interest. I do impress upon the minister the desirability of helping the taxpayer spread part of the tax over the succeeding four months without interest. The minister shakes his head, but this is an important matter. Since the tax is so much greater—three and a half to four times, and perhaps more than that; since so much more money is being taken out of this class of our citizenship, a class which I suggest to the minister is very limited, and since in my opinion the sacrifice they are being asked to make is greater than that required of any other class of individuals, I suggest the minister might very well give consideration to these taxpayers.

How much interest was collected last year on this basis of five per cent? What would be the possible loss of revenue, on the basis of last year's figures?

Mr. ILSLEY: I will have to get that information for the hon. member. I have not got it just at the moment. With regard to extending the time in which payments may be made, without the payment of interest, I shall give the usual answer to inquiries of the kind, namely that the tax is payable, can be computed any time after January 1 and may be paid in the period between January 1 and April 1. It is due, all due, on that date. As a matter of convenience to them taxpayers may defer their payments beyond that date without being liable to penalty. They must, however, pay interest, and they must pay it within the period of extension provided in the act. To make an extension without interest would simply be forgoing part of the revenue which otherwise would be available.

Mr. HANSON (York-Sunbury): I am afraid the minister has missed my argument. I know the tax may be computed immediately after January 1. All that is true, in theory; but in practice it is not correct. The ordinary individual cannot do that. He may have a set of books, and some time may be required to close those books and to make the necessary adjustments. At least thirty days might elapse before the accounts could be closed. Moreover in respect of complicated accounts some taxpayers have to employ chartered accountants to do the work for them. Their returns must be prepared at the convenience of their professional employees. In other words it is not feasible to close the accounts and have them in by January 1 or shortly

thereafter. Theoretically I know the minister has properly described the provisions of the statute, but in practice it just does not work out that way. In view of the greatly increased demands being made upon this limited number of taxpayers who in my opinion are being called upon to bear greatly increased tax burdens, I ask that consideration might be given them in respect of deferred payments, and such consideration could be given by waiving of interest.

Before the minister refuses my plea, I think we should learn from him just what was paid in interest last year and what the loss of revenue would be. I have an idea it would be meagre when compared with the increased amount of taxation the government will get from this class of taxpayer. I ask that the minister give consideration to my request. It is a reasonable one, and one which I believe will be reechoed from different parts of the house.

Mr. ILSLEY: I now have the information for which the leader of the opposition has asked. The interest paid amounted to $1,218,871.22.

Mr. HANSON (York-Sunbury): A large amount.

Mr. ILSLEY: That was in the fiscal period 1939-40.

Mr. HANSON (York-Sunbury): Is that from personal income tax?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): Oh, no.

Mr. ILSLEY: $608,000 was from individuals, $594,000 from corporations and $15,000 from the five per cent tax. I have omitted the odd thousands.

Mr. MacNICOL: A young man who was formerly employed by the X Oil Company of Vancouver—I shall not give the correct name of the company—was moved by his company over a year ago to their head office in California. He says he is now being pressed to pay income tax to the Canadian government. Could that be so?

Mr. ILSLEY: When did the young man go to the United States?

Mr. MacNICOL: Over a year ago; he has been in California more than a year. I take it from his letter that he has been asked to pay on his earnings in California. But that could hardly be so; I presume he is being asked to pay on the amount he earned before he left Canada.

Mr. ILSLEY: If he were resident in Canada during part of 1939 he would be considered a resident of Canada for income tax purposes in respect of his total income, whether earned in Canada or in the United States. The tax paid by him to the United States government on income earned by him in the United States would be allowed him as a credit against his Canadian income tax.

Mr. HARRIS (Danforth): The minister gave a figure in connection with interest. My understanding is that that not only applied to the tax for the year 1939 but included all interest on other outstanding amounts.

Mr. ILSLEY: That is the amount of interest paid in the fiscal year 1939-40, classified as to individuals, corporations and five per cent tax.

Mr. HARRIS (Danforth): Yes, but in that amount is included all outstanding interest for the past two or three years.

Mr. ILSLEY: Perhaps so.

Mr. HARRIS (Danforth): We are trying to get at the amount of interest for the one-year period.

Mr. ILSLEY: I have not that figure.

Mr. HARRIS (Danforth): My guess would be it would be half the amount mentioned by the minister.

Mr. ILSLEY: I assume this would be about the amount collected each year. But if the specific question could be answered, the answer would be the same.

Mr. HANSON (York-Sunbury): If the minister has the information for the preceding years he could strike an average and say that $600,000 odd would be the amount of revenue accruing to the treasury from interest on deferred payments. Even if a loss of $600,000 a year be involved—a figure which perhaps I am justified in doubting—having regard to the substantially increased tax these same people are being asked to pay, will not the minister give consideration to the proposal I make, namely that the five per cent interest for a period of three months after April 30 be not by law allowed to accrue to the taxpayer's bill? That would not be very long—just three months.

Mr. ILSLEY: To "give consideration" is not very much, either.

Mr. HANSON (York-Sunbury): I am afraid not.

Mr. ILSLEY: I should be stubborn indeed if I were to say I would not give consideration to any proposal made in the committee. But certainly I would not agree to give consideration to this proposal and at the same time offer any hope that it would be favourably

considered. I say that because it is a fundamental feature of the income tax law that the amount falls due on a certain set date. As regards most taxpayers that date is March 31. I was going to say the time-honoured principle of income tax administration is that after the end of the calendar year persons may pay their tax any time. But it falls due on April 30. After that date not only the tax but interest is due. If people wish to pay in advance they may do so. If they wish to pay by instalments in advance the department will accept their money. If they pay after the specified date provision may be made to accept payments in instalments, but with additional interest, and if the payments overrun those dates a penalty is imposed. The interest and penalty rates have been carefully considered and calculated, having due regard to prevailing interest rates in the country, and it would be a striking change in income tax administration if we were to waive interest payments after the due date.

Mr. HANSON (York-Sunbury): The minister is adamant, I can see that; but at the risk of making myself a nuisance I will return to the proposal. Certain provinces also have income taxes, the payment of which is required immediately after this tax is payable. In my province there are substantial municipal taxes which become due just about this time. There they have adopted a much more liberal principle; they allow a four per cent discount for prepayment and a five per cent flat discount for prompt payment. Interest at six per cent is charged after the deadline for prompt payment has been reached. The department seems to be rigid about this thing, whereas other jurisdictions have been more liberal. So far in New Brunswick we have escaped a provincial income tax, but ever since I have been a taxpayer I have paid a municipal income tax. The payment of these three taxes must be made at approximately the same time, just in the middle period of the year. It is hard enough to pay these taxes on last year's earnings, which in most cases are gone.

Over and above all that you are asking the people to pay to the federal government three and a half times what they had to pay last year. I am not complaining about that; I have said all I am going to say about the size of the tax and the sacrifice being imposed upon these people. However, it would leave a better taste in their mouths if the minister would allow three months from April 30 within which the balance could be paid in instalments. The government would not lose very much; I certainly do not think it would run to $600,000 in any year. It would be a great help to the burdened taxpayer. In the light of the information I have given the minister I hope he will give this matter not only consideration but favourable consideration. I would not urge it if I did not think it just. I am cognizant of the responsibilities which we owe to the state at the present time, but let us make the burden as easy as possible provided we can accomplish the objective we have in mind, namely, the obtaining of this principal sum of money. Let us forget about the interest for three months.

Mr. ADAMSON: If the information has been given, I am unable to find it, but I should like to know if the minister is ready to consider a guest child as a dependent and allow $400 exemption.

Mr. ILSLEY: I have an amendment to move when the proper resolution is reached dealing with children evacuated under government and cooperative schemes.

Mr. HOMUTH: Will the exemption be limited to children evacuated under government schemes? I have in mind a number of people in my district who have brought out their relatives' children. One family has four, and I should like to know why they should not be considered.

Mr. ILSLEY: I suggest that we deal with this matter when we are considering the amendment.

The CHAIRMAN: We are now dealing with the resolution covering the income tax schedules. Questions of exemptions have been raised from time to time and I have allowed them to be discussed, but they would properly come up for discussion under later resolutions. It would avoid duplication of argument if we now stuck to the income tax schedules as set out in this resolution.

Mr. NICHOLSON: I pointed out last Wednesday that in my opinion the important thing was not the amount of tax an individual paid, but the amount he had left after paying his tax. In my province a man receiving an income of $15,000 would have left, after paying all income taxes and the national defence tax, an amount equal to $31.83 per day, on the basis of 300 days in the year. It seems to me that those in Canada who receive these larger incomes should carry a much heavier share of the burden. This could be done without their having to reduce their standards of living to any alarming extent. I wonder if we could not have even higher taxes for those in the higher income brackets?

Mr. ILSLEY: I am in between two fires. Certain hon. gentlemen directly opposite have been urging that the rates are entirely too

high and certain hon. gentlemen diagonally opposite have been urging that they are too low. I do not think I should be prepared at the moment to consider any change.

Resolution agreed to.

2. That the additional rate of tax applicable to all persons other than corporations and joint stock companies in receipt of income in excess of $5,000 in the amount of five per centum, be repealed.

Mr. GREEN: Is the surtax on investment income being repealed?

Mr. ILSLEY: It is not repealed; it is retained.

Resolution agreed to.

3. That the war surtax of twenty per centum as enacted by sections two, three and four of chapter 6 of the 1939 statutes (second session), be repealed.

Mr. HANSON (York-Sunbury): This resolution repeals the war surtax. There is no concealment here. The surtax of twenty per cent was put on last September. It applied on the net taxable income, which was the income left after taking into account all kinds of investment income such as bond income and other classes of income. The twenty per cent surtax is being repealed?

Mr. ILSLEY: Yes.

Resolution agreed to.

4. That the statutory exemption of a married person and other persons with dependent relatives as set forth in paragraph (c) of subsection 1 of section five of the act be reduced from $2,000 to $1,500.

Mr. MacNICOL: I have received a letter from a widow who resides in the house in which she has resided for some forty years. She has endeavoured to keep it going just the same as she did when her husband was alive. She has an income of about $1,500, and if she is classed as a single person she will have an exemption of only $750.

Mr. ILSLEY: That is true.

Mr. MacNICOL: On the first $250 of the remainder she will have to pay $15; then she will have to pay eight per cent on $500 of the balance of the $750, or $40. Then she will have to pay two per cent on $150, which is the amount in excess of the $600 upon which she would have to pay under section 18.

Mr. ILSLEY: The two per cent is not limited to the excess of $600.

Mr. MacNICOL: Does it apply to it all?

Mr. ILSLEY: Yes.

Mr. MacNICOL: That makes it still worse.

Mr. ILSLEY: If the income of a single person is over $1,200, it is three per cent.

Mr. MacNICOL: Where does the $600 referred to in resolution number 18 come in.

Mr. ILSLEY: Unless she receives more than $600 she will not be taxable under the national defence tax.

Mr. MacNICOL: I have just pointed out that the net amount left out of her $1,500 is $750. Therefore does she pay on the $750 or on the $150 in excess of $600?

Mr. ILSLEY: The hon. gentleman understands perfectly, and he has correctly stated the amount which that widow pays under the Income War Tax Act, but he does not quite understand the application of the national defence tax. What that widow would pay as national defence tax would be three per cent on the whole $1,500.

Mr. MacNICOL: On the whole $1,500?

Mr. ILSLEY: Yes. In case there is any misunderstanding about it, I will explain how that is. If the taxpayer is in receipt of less than $600 a year, the taxpayer is exempt; but if the taxpayer is in receipt of more than $600 a year and is single, the tax is two per cent; provided that if the taxpayer is single and in receipt of more than $1,200 income the tax is three per cent.

Mr. HANSON (York-Sunbury): The widow would pay three per cent on $1,500.

Mr. ILSLEY: Yes.

Mr. MacNICOL: That makes her case much worse than the poor lady thought it would be. I will set out again what she has to pay. On $750 she pays $15 on the first $250, then eight per cent on the $500, or $40; then three per cent on the whole $1,500, or $45.

Mr. ILSLEY: Yes.

Mr. MacNICOL: In addition to that she has to keep up her home, where she has lived for some forty years, paying $250 in municipal taxes. She pays $18 for water and $100 for repairs of one kind or another. She keeps a janitor or a man who comes in to cut the grass and fire the boiler and do odd jobs; she pays him $60 a year. She needs a charwoman to come in every week to clean up, and that will cost her $48. Probably she is not so well as not to require a doctor occasionally, and her medical expenses are about $100 a year. It costs $200 to heat the house, $24 for electricity, $30 for telephone and $30 for gas. If I have added these items correctly, including the additional amount paid in respect of national defence tax, it makes a total of $960. That leaves the poor lady something like

$540. She has a daughter with her who is not very well and so does not work. One of the sons has not worked for quite a while and needs the odd dollar she can spare to help keep his family. How is that poor woman going to live? She maintains that she is a married woman, having raised a family and kept house for forty years. How can the minister justify classifying her as a single woman? To me it looks unfair. Why is she not classed as a married woman and given an exemption of $1,500 a year instead of $750 a year?

Mr. ILSLEY: She is single, therefore unmarried.

Mr. GRAYDON: She is eligible for marriage.

An hon. MEMBER: How do we know?

Mr. MacNICOL: I should like an answer.

Mr. ILSLEY: Is the hon. gentleman suggesting that widows should be held to be married taxpayers?

Mr. MacNICOL: It looks to me to be most unfair. The case I have stated is typical of thousands upon thousands, not only of women but of men too.

Mr. ILSLEY: I thought the hon. member was asking what might be called a legal point, that is, why a widow should be classified as an unmarried person within the meaning of the Income War Tax Act. Without being overconfident of my opinion, I would suggest that the proper interpretation of the act would be to classify a widow as an unmarried person.

Mr. MacNICOL: Of course she cannot figure out how she can be classified as a single person, either, after having raised a family and lived with her husband for forty years.

Mr. FAIR: It looks as though this is a chance for widows and widowers to get together and improve their status.

Mr. ROSS (St. Paul's): Last evening I asked the minister with respect to the remuneration of dollar a year men, and he said he would give me a more accurate answer. May I have that answer before we get some place where it cannot be given?

The CHAIRMAN: I believe the hon. gentleman raised the question as to allowances for expenses. That would come under a subsequent section.

Mr. HANSON (York-Sunbury): Which one?

The CHAIRMAN: In respect of allowances. It certainly does not relate to exemptions of $2,000 or $1,500.

[Mr. MacNicol.]

Mr. ILSLEY: I should have no objection to answering at this stage, but I am not quite ready. I should like to answer the question a little later, if the hon. member does not mind.

Mr. ROSS (St. Paul's): Very well.

Resolution agreed to.

5. That the statutory exemptions of all other persons except corporations, be reduced from $1,000 to $750.

Resolution agreed to.

Mr. ILSLEY: I move that the said resolutions be amended by adding thereto as resolution 5A the following resolution:

5A. That section 5 of the said act be amended by adding thereto the following paragraph:

"(ee) $400 for each child maintained by the taxpayer in Canada under a cooperate plan sponsored by the governments of the United Kingdom, Canada, and/or its provinces for the evacuation of children from the United Kingdom; provided that the tax benefit obtained as a result of the exemption shall not in any case exceed the amount of the tax benefit received by a married person in receipt of a net income of $5,000."

Mr. JACKMAN: May I ask the minister what he means by "a cooperative plan"? If you take a guest child because you know the parents in the old country, does that not qualify you also for the exemption? Or does that limit the working of this exemption?

Mr. ILSLEY: Yes, it does. What I may call private arrangements do not qualify the taxpayer for exemption under this amendment.

Mr. HANSON (York-Sunbury): I do not think that is fair, and I am going to oppose it. The number of guest children who will come out under private arrangements in any event, I should judge, will not be large, but people out of the goodness of their hearts are taking these children, in many cases without any financial obligation on the part of their parents. Very often they are relatives. The cases I have in mind are those of relatives or business associates. A friend of mine who is in the fire insurance business knows some people at the head office in London of the company he represents. When this problem arose he cabled that he was prepared to take two of either sex of a family without any financial arrangement at all; if it could be made, well and good, but in any event he was willing to take two children into his home. It appeared that there were three young boys in a family and he agreed to take those three boys into his own family for the duration of the war, without any arrangement for a financial allowance from England, as he assumed there would be considerable difficulty

in that respect. These children have either arrived or are in transit. The principle involved has appealed to the government and to the minister, but they are proposing to restrict the exemption to the cooperative scheme sponsored by the governments of the United Kingdom, Canada, or any of the provinces. It seems to me that there is a gross discrimination there which should not be permitted to exist. Before the allowance is made the facts should be established and the case should be bona fide. But why in the world the government has limited the exemption to the sponsored arrangement with the government and refused consideration to those who have made a gratuitous arrangement is beyond me. I do not see any principle involved. Is the minister making a distinction between people who may be considered well to do, and others? I do not think that can be applied. Why is the exemption limited? I do not agree with it. I do not think the committee will agree that it is a fair deal and it ought not to prevail. I would ask the minister to apply it to every genuine case so that the taxpayer shall get the benefit; otherwise have no exemptions at all. It should be one or the other.

Mr. SLAGHT: May I add a word in a kindly spirit. This afternoon there has been repeated reference to the children coming to Canada and they have been termed, variously, evacuees, refugees and refugee children. I have sinned in this respect myself in the past two weeks. I take a special interest in this problem and therefore I would urge the suggestion, which I read the other day, that in Canada, in referring to these unfortunate youngsters, we should call them guest children.

Mr. HANSON (York-Sunbury): Hear, hear. It is a very good suggestion and we ought to carry it out in the resolution itself.

Mr. SLAGHT: One can imagine these little folks, after being here some time and possibly reading the deliberations of the House of Commons, turning to their foster parents and saying, "Daddy, am I a refugee? Am I an evacuee, and what is an evacuee?" It is not easy to avoid mistakes of this sort, but I suggest that we in this house should set a good example by referring to these children in the way suggested.

Mr. GRAYDON: With regard to the question of exemptions in respect of guest children —I am following the terminology suggested by the hon. member—there must surely be a distinction between guest children coming to Canada who are under some form of endowment, either from their parents or by virtue of some trust fund that may have been set up on their behalf, and other children. There is a difference which I presume the minister recognizes, because it is hardly fair to suggest that a person taking a guest child from England and receiving some indemnity for looking after it during the war should be in the same category, so far as income tax is concerned, as those who are looking after children without any means of support of their own. I know of one case of my own knowledge. People who will be paying the national defence tax are often below the scale of what you might call our middle class of wage earners. There are many people in this class who have a good deal of difficulty getting along. I know one man who will be faced with some difficulty when filling out his returns in connection with the national defence tax—and it would apply to the income tax in a comparable way. He has three children who are not guests but whom he and his wife have been looking after for some years in Ontario because the parents of these children died and left them without any means of support. This man has no other children himself and naturally he would like to know what the ruling will be under such circumstances.

Mr. HANSON (York-Sunbury): He could legally adopt them.

Mr. GRAYDON: He has not done so, for reasons best known to himself. I suggest that a distinction should be made between these classes so that in bona fide cases where people are really looking after children and paying for them, whether they be guest children or Canadians, they will receive consideration in connection with the national defence tax. Certainly I do not agree with giving exemptions on income tax or national defence tax for the keeping of children whose parents are partly looking after them. If exemptions are to be given the taxpayers should prove to the satisfaction of the department that no contribution is being received from any outside source. I leave that suggestion for the consideration of the minister, because I know that there are certain cases of hardship that should receive attention.

Mr. ILSLEY: With regard to these children, the leader of the opposition says that no distinction should be drawn between those who come under a sponsored scheme and those who come by private arrangement. I admit that when I first looked at the resolutions I was rather of that opinion myself and therefore I went into the question with some care with the previous minister and with the officers who were engaged with him in the consideration of the problem. Hon. members under-

stand that apart altogether from this question of children who are coming to the country, if a taxpayer takes children—whether related to him or not—into his home and brings them up without adopting them he cannot receive the $400 exemption. That question has been debated in the house on several occasions and successive ministers have always stood firmly by the principle that unless the child was the taxpayer's, no exemption could be allowed on its account.

Next came the question of children coming to Canada, to whom the hon. member for Parry Sound refers as guest children. In the case mentioned by the leader of the opposition, whether they are the children of relatives or the children of friends, who quite often are people of considerable means, or at any rate of some means, it was thought that there was no good ground for giving these exemptions any more than for granting the exemption to thousands of persons who under similar conditions do not enjoy it. On the other hand when the movement becomes a mass movement sponsored by governments to meet a great national need, when the children come from families of friends or relatives, not from well-to-do homes entirely but from all sources, and go into the homes of generous people, often not at all well-to-do, people of limited means, it was felt that we could go this length in infringing the principle that has been preserved in our income tax legislation from the beginning, and under those circumstances permit an exemption of $400 per child.

But I should also point out that even then the exemption is limited. The proviso is that the tax benefit obtained as a result of the exemption shall not in any case exceed the amount of the tax benefit received by a married person in respect of a net income of $5,000. The reason for that is that if two children were taken into the home of a taxpayer of large income, one who, let us say, is paying thirty per cent on his utmost bracket of taxation, he would be able to reduce the income tax otherwise payable by him by thirty per cent of $800, which would be $240. He would receive a much greater benefit than would the taxpayer in the lower brackets. Therefore we thought it just under the circumstances to attach the proviso that I have mentioned.

I am inclined to think that when all the factors in the situation are considered, unless we are to amend the act as proposed by the hon. member who spoke last, and make it necessary for the income tax division to hold an inquiry into these cases, go into them minutely and find out just what the facts are—whether the children are really being maintained and will be maintained without later recompense in any way—unless we are to change entirely the principle of the act I do not think we could insert a provision that would be fairer than the present one.

Mr. GRAYDON: I am still not convinced that the minister's amendment fully meets the situation. As I understand it—I have not seen the amendment, I have only heard it read—unless these guest children come under a cooperative scheme sponsored by the British and Canadian governments, no income tax exemption will be allowed in respect of them. Does this mean that unless a taxpayer takes a child from the provincial distribution depot which is being set up by the welfare departments in the various provinces, no guest child may be included as a dependant so far as income tax exemption is concerned? There are many people in Canada to-day who are doing their best to arrange for the care of one or more guest children. As soon as the arrangements were announced by the government many people communicated privately with people in England to get a child about whom they knew something or who to their knowledge was anxious to come to Canada. These people are being discriminated against—because the parents of many of the children are not able to contribute anything to their support—in favour of persons who go to the provincial welfare organization and take a child from that distribution point. That seems to me to be the position in which the minister has left it.

Mr. ILSLEY: I am afraid there will be some cases in which taxpayers in this country will be taking children without any chance of being later recompensed for keeping them and who will not be able under this amendment to get the exemption. But any other arrangement would be open to still further objection. This seems to be about the most reasonable course that can be taken, having regard to all the facts.

Mr. JACKMAN: It is virtually impossible under the exchange regulations in the old country to send money with these children for their support. It is hardly likely that the interests of Great Britain at present will admit of any large aggregate sum being sent out in support of the children. While in a few cases some provision may be made by English parents who have assets in this country, such cases will be proportionately so few in number as to be hardly worthy of consideration. Most of these children, probably ninety-five to ninety-nine per cent of them, will have to be supported by the people with whom they

live in this country. University professors in Toronto have been organizing to bring out children of corresponding professors in the old country who have no possible means of sending money out with them; it is entirely voluntary. Canada being a partner of the motherland in this war I think we should certainly do what we can, and the government should not prejudice the people who are good enough to pay out a substantial sum each year for the maintenance of these children until the war is over.

Will the minister clarify what he means by his reference to the exemption of $5,000 for a married couple? I do not understand that.

Mr. ILSLEY: A married person in receipt of a net income of $5,000 is taxable at a certain rate, which can be ascertained from the tax schedules. The benefit which that person gets by deduction is limited to a figure arrived at by multiplying the $400 exemption for a dependent child by the highest tax rate payable by that married person, which might be, let us say, about $80. If 20 per cent is the highest rate, which I think it is, then 20 per cent of $400 is $80 tax deduction that that person gets by virtue of taking that child. This amendment merely provides that if the taxpayer is in receipt of an income of more than $5,000—let us say $50,000—he still gets only $80 deduction on account of the child, instead of, as would otherwise be the case, perhaps several hundred dollars.

Mr. HOMUTH: I feel, with the hon. member for Peel, that this is grossly unfair. Suppose a man brings three children of relatives out from the old country. If he received from some estate in this country $1,000 towards the maintenance of those children, he would have to show that $1,000 in his income tax return and would be liable to tax on it; yet he could not get any exemption for the three children.

Mr. HANSON (York-Sunbury): Unless they came under a sponsored arrangement.

Mr. HOMUTH: That is so. Surely there cannot be discrimination like this. I know of families in my own town who, when it was announced that children were to be brought out to Canada, immediately cabled their relatives to send their children here. Those children might have come under the government arrangement, but they did not. Their parents were in a position to pay their way here, but they are not in a position to pay for the maintenance of those children in Canada; they are in a low income bracket. The thing is grossly unfair. I do not see why we should have two classes of children so far as the income tax is concerned.

Mr. ILSLEY: The hon. member for Rosedale suggested one reason, that is, that the exchange restrictions in the United Kingdom, as I am informed, make it impossible for parents to send money here to pay for the maintenance of their children. There is no doubt they would send that money if they were free to do so, and in all probability the time will come when they will be able to do so. Many of these are cases of deferred compensation.

Mr. HANSON (York-Sunbury): Why does the minister say in all probability that is so? He has no basis for that statement.

Mr. ILSLEY: I am merely arguing on the probability. Hon. gentlemen opposite are arguing that the reason money is not coming here for the upkeep of these children is not that the parents are not willing and anxious to send it, but that the action of the British government prevents its coming here. It would be entirely wrong to allow income tax advantages to persons in this country in cases of deferred compensation.

Mr. HANSON (York-Sunbury): I follow the minister that far, and I am in agreement with the limitation contained in the last part of the proposed amendment. I do not think people in the high brackets should get the allowance that would come to them if they were paying 30, 40 or 50 per cent. But there is one class of these guest children to which the minister should give further consideration. Those are the children brought out by invitation, without any hope or expectation of reward on the part of those who are to become their guardians here. Those people should have consideration. It is a limited class. The government will have records of all these people. The rich and well to do will be looked after, but in my own town I have an Englishman who is an organist in one of our churches. He and his wife are bringing out at least one relative, if not two. I do not know what is the rate of compensation for a church organist in Ontario, but in Fredericton it is not very large.

Mr. GRAYDON: It depends upon how good he is.

Mr. HANSON (York-Sunbury): Even the best man does not command a high salary in a city as small as Fredericton. In this case I have been informed, although I have no personal knowledge, that the man and his wife are taking these children out of the goodness of their hearts, without any hope of compensation, reward or gratuity of any kind. The minister has advanced the reason that there would have to be an investigation in every case. Very good; let there be an investigation.

What are these men in Saint John doing to earn their salaries? I am not casting any reflection on our provincial inspector, who is a good man, but he has a number of men under him, and when I go into the income tax department there I am not impressed with the amount of work they are doing, to say the least. There are times, of course, particularly around April 30, when they are busy, but in New Brunswick they could very well investigate every case.

I am not impressed with the minister's apparent objection, though perhaps he did not mean it in that way. Of course they would have to investigate; there should be no fraud practised on the government. But this is a deserving class, though a limited class, and I do urge upon the minister that he give further consideration to this phase of the matter and widen the scope of the amendment to include this class. Then I think I would stop there.

Mr. ROWE: I wish to add my voice to the opposition to this measure as it now stands. To me it seems grossly unfair. As I listened to the questions answered to-day by the government I thought we might well consider taking a greater financial responsibility in connection with these children. For instance, it has been pointed out that these guest children cannot be taken by those on relief. I think that is fair. The money for the maintenance of relief recipients comes directly from the government now, and I think there are many other people in a better position to look after these children. I mention that only to suggest that probably the government has taken this position to avoid responsibility as a government for the maintenance of these children. As the Minister of Finance has stated, it is impossible to bring money from the United Kingdom for their support, so that it seems to me every possible encouragement should be given this movement of which every hon. member of the house is so heartily in favour.

The government does not in any way subsidize those who look after these children. I do not think that is necessary, because it has been stated that hundreds of thousands of householders in this country are prepared to extend a welcome to them. But I do suggest that the number of children to be brought here from the United Kingdom might have far exceeded the figures that have been mentioned. As the hon. member for Parkdale said the other day, they would be better sleeping in the fields of Canada than living in their own homes in many parts of old England, if the threatened blitzkrieg ever takes place. The people most likely to take these children are not particularly those in the higher income brackets. In all fairness to those people I have not heard of many rich old bachelors or elderly maiden ladies who have offered to take four or five children for the duration of the war. On the other hand I have heard, as I am sure the minister has heard, of many mothers with four or five children of their own who are only too glad to look after some of these guest children; and I am sure that number would be much greater if these people knew they were going to obtain these exemptions. In a family where there are four or five children the mother usually has twice as much to do as some who are not mothers might think necessary. In these cases it is necessary to have additional help in order to take care of these extra children; and unfortunately at times there may be doctor's bills for the care of mothers whose strength was not equal to their willingness. I believe in every instance the exemption should be granted. In my opinion it would be an even safer plan to grant exemptions to those who could well afford not to have the exemptions, than to withhold exemptions from those who could not afford to take the children unless special consideration in this regard were given.

I realize of course that to a degree there are exemptions for those people taking children under schemes sponsored by the government. But it has been wisely pointed out that hundreds of children have been and will be taken from relatives or acquaintances, and that those children need not necessarily be taken through sponsored schemes. Long before there was much sign of real action of a definite kind by the government I received letters from clubs, such as the Rotary club, in certain districts, and from Lions clubs in other districts saying that they were getting in touch with auxiliaries of the same clubs in the old country, with the purpose in view of bringing children to Canada.

I have in mind one instance where approximately two months ago a plan was made with a Rotary club in London, England, to take 200 children. That plan was not sponsored by the government at all. I am familiar with the district in which the club in this country is located, and I believe I can state truthfully that in that district no more than five per cent of the people taking the children have incomes of $5,000. One would wonder at times how some of the labouring men in that community could keep their three or four children, but it is those people who are proposing to take two or three more children from relatives in the old land.

I believe the minister would be well advised to accept the suggestion which has been made from this side of the house. This is not a matter in connection with which one wishes to offer criticism of government policy. I

believe, however, that in working out details the government would not be making any mistake if it were to lean somewhat in the direction we have indicated, rather than to be too careful in respect of exemptions.

The additional children in a home might very easily become a more expensive burden than one's own children. I cannot conceive of anyone with two or three children of his own being in a position to keep two or three additional children as cheaply as he could his own. We must realize that organizations and plans have been made to take care of one's own children, and it must be borne in mind that in many instances where two or three more children are added to the family, additional help will have to be obtained to handle domestic affairs. In those instances where domestic help has not been found necessary in connection with the care of the family, with the addition of children from overseas such help would be required. In other instances where already domestic help is being retained, with the addition of children from overseas additional domestic help would be required. I have no doubt that people taking children into their homes will be most cautious to see that they are carefully looked after.

I believe encouragement would be given to the general scheme, and the government would be acting fairly to those who are opening their homes to British children, if it were to accept the suggestion which has been made. I must repeat to the minister, and I am sure he will agree, that in a general way those people most likely to offer assistance are those whom hon. members may consider the least capable financially.

I read in one of the newspapers an article pointing out that at one place in the United States parents with seven children of their own had offered to take four or five additional British children. I believe our contention is sound, and I would urge that the minister reconsider the matter. I am confident he is not being misled in the suggestion from this side of the house.

Mr. ROSS (St. Paul's): May I add my voice to the protests which have been made. Everyone dislikes discrimination, and it seems to me that in the stand it has taken the government has dampened the urge people in Canada have to take children from the United Kingdom. This is just one further obstruction placed in the way of carrying out the plan successfully. Certainly no discrimination in this connection should be tolerated.

How much money would the government lose, if exemptions were granted? In the event of 10,000 children coming to Canada, how much would be lost to the public treasury? I am inclined to believe it would amount to less than half of one per cent of the total tax collected.

Mr. HANSON (York-Sunbury): Nothing like that amount.

Mr. ROSS (St. Paul's): No doubt it would be a good deal less. For goodness sake do not let us do anything more to make the people think the government of Canada does not want these children.

Mr. GRAHAM: I have listened with keen interest to the debate, and find myself supporting the attitude of the minister. It seems to me on the very point raised by the hon. member for St. Paul's, namely, that of discrimination, the government is wise in its present policy of refusing to allow special exemption in respect of children coming from the old land. The minister has properly pointed out that the minute such exemptions were granted, those who under like circumstances and for the same purpose, namely, that of being generous to some children needing assistance, have taken children, and who could not secure the exemption under the act, would have the right to claim that they were being discriminated against. Unless the minister cared to open up the whole question with regard to people in that position, it seems to me the government is pursuing a wise policy in not exempting in this particular instance, and still leaving those other people in the same position. I can see the difficulty. The government must look ahead and must realize that the minute exemptions were given, considerable opposition would grow up, and justifiable claims might be made by a class of people who, as the minister has informed the committee, a long succession of finance ministers has not seen fit to exempt.

Mr. HARRIS (Danforth): The government has a direct responsibility in connection with this item. I do not see how it can avoid including those guest children who came out prior to the originating of these schemes, of which they are part and parcel. Scores of inquiries were made to the director of immigration and to the Minister of Mines and Resources who is in charge of the branch, and in every instance the answer was: Let them come. No organization at this end stated what provisions were being made in the taxation proposal in respect of those who received guests. The whole matter rested with Commissioner Little at Canada House, Trafalgar square. I presume Commissioner Little knows nothing about this amendment now being made to give exemption in respect of those who will come out under organized schemes.

Mr. ILSLEY: The hon. member does not understand. We are not making any change in the law with regard to those children.

Mr. HARRIS (Danforth): Quite. But those who came out as guest children prior to the bringing down of the budget are not under a government scheme. There is no record of them.

Mr. ILSLEY: No.

Mr. HARRIS (Danforth): They will not receive the exemption.

Mr. ILSLEY: No; they came out subject to the existing law, which has not been changed.

Mr. HARRIS (Danforth): We would be far better to lean in the other direction, and see that they were treated precisely the same as those who come under the present legislation. It should not be a difficult matter. It would be far better to lean a little more this way. As I see the situation, these children are all guests of Canada, and the fact that our budget was brought down on June 24 should have nothing to do with what should be considered the main problem. I do not think the minister should stick to this particular point. I am going to suggest that he let the matter stand and consider bringing down an amendment which will take care of the whole problem of guest children and exemptions therefor.

Mr. ILSLEY: There is a bill to follow this resolution, and hon. gentlemen will have the same liberty to argue on the relevant sections of that bill as they have now. I do not know whether in view of that they want to press their request to have this resolution stand. I am willing to consider the suggestion made by the leader of the opposition. He has been fairly reasonable about it and has outlined a small class of cases where there might be some hardship. If it is possible to segregate that class without the use of too much language in framing the amendment, I would be prepared to consider something being done. However, in saying that, it may be that I shall have to come back here and say that the matter has not been favourably considered.

Mr. ROWE: Under the exemptions at present allowed, a man may claim an exemption for a dependent child, such as a brother's child, whom he may have taken into his home?

Mr. ILSLEY: No.

Mr. ROWE: It is so marked on the income tax return.

[Mr. Harris (Danforth).]

Mr. REID: Some provinces allow for dependent children.

Mr. ILSLEY: It must be the taxpayer's own child. That is the trouble in connection with making this change.

Mr. McNIVEN: When the minister is considering the amendment now before the committee, I wonder if he will also give consideration to another matter? This amendment is limited to guest children, but in many instances these children will be accompanied by their mothers. Would the minister consider including these mothers in the exempted class?

Mr. MacNICOL: And the fathers too.

Mr. McNIVEN: The fathers are not permitted to come to this country. This is a serious matter. It is for the good of these children that they be accompanied by their mothers. It lessens the responsibility of the foster parents in taking care of the children, but at the same time it increases the expenses to which the foster home is put by reason of having to take care of the mother and provide her with the necessaries of life. As has been pointed out to-day, the exchange control regulations of Great Britain preclude the sending out of any large sums of money. In fact they limit the amount of money which can be sent out, so that it is necessary for the foster home to provide practically all of what is required to maintain the family.

Mr. FRASER (Peterborough West): I have in mind a family in Peterborough that had to mortgage their home in order to pay the passage for three children and their grandmother, not their mother. I feel that if a mother is to be considered as an exemption, a grandmother should also be considered as one.

Mr. ILSLEY: I agree with the hon. member.

Mr. ROWE: It is the same principle.

Mr. FRASER (Peterborough West): On July 4, I asked the Minister of Mines and Resources if the full allowance of $400 would be granted. I also asked if a married couple take a refugee or guest child and the man enlists or be conscripted, would the refugee child be classed as a dependent and receive the full dependent's allowance. The minister said the same answer would apply.

Mr. ILSLEY: I was present when the minister answered the question. He said he would bring it to the attention of the Minister of National Defence.

Mr. FRASER (Peterborough West): His answer was, "the same answer would apply," as reported on page 1318 of *Hansard*.

Mr. ILSLEY: What is the answer?

Mr. FRASER (Peterborough West): Pardon me; he said he would refer the matter to the Minister of Finance.

Mr. ILSLEY: I was wrong about that. This question would have to be answered on a different occasion. This matter is not covered by this resolution; it has to do with dependents' allowances as covered by the War Measures Act.

Mr. ROWE: It seems to me the minister could get over the difficulty and perhaps satisfy all if the amendment were changed slightly. The amendment is that section 5 of the said act shall be amended by adding a paragraph providing an exemption of $400 for each child maintained by the taxpayer in Canada under a cooperative plan sponsored—here I would suggest adding the words "or under an arrangement approved of"—by the governments of the United Kingdom and Canada. It would then be left to the department to decide just what arrangements would be approved of. Under the present amendment only a child brought out under a sponsored plan would be considered as reason for an exemption, but if the amendment were changed, a child brought out under a plan approved by the department would be considered as reason for an exemption. This would still give some encouragement to people to take these children and would maintain the principle of the amendment.

Mr. ILSLEY: The only objection to the proposed change is that it would vest discretion in the Minister of National Revenue without providing any principles to guide him in the exercise of that discretion. It is the type of section which is avoided if it is at all possible.

Mr. HANSON (York-Sunbury): I agree with that.

Mr. ROWE: It is better than nothing.

Mr. HANSON (York-Sunbury): As regards draughtsmanship, the minister is absolutely right. However, if we can agree on the principle I think the law officers of the crown or the departmental solicitors could work out the language. At first blush I took a much wider view of this question of exemptions for guest children than perhaps was reasonable, but I suggest to the minister that he give consideration to the classes of children to which I referred. I think he will find that their number would be limited and it would not cost the country much by way of lost revenue. I refer to those children where there is no arrangement as to pay and no hope or expectation of payment. If the minister says he will give serious consideration to this question, I am willing to let the resolution pass and bring up the matter on the bill. I hope the minister will not be too hard-boiled about it. Up to now he has not seemed disposed to grant any concession. I understand he is protecting the revenues of the crown.

Mr. ILSLEY: I am thinking about the taxpayers generally instead of these few.

Mr. HANSON (York-Sunbury): I do not think anyone will raise an objection of that kind. I do not want to impute motives, and certainly I do not want to impute bad motives, but when you have been a member of the government, as the minister has been for a number of years, you get the point of view that you must protect the revenues of the crown. That is quite proper, and I should hate to see the minister take the opposite position. If the minister wants to have the resolution passed, will he give us an undertaking that between now and the time the bill is introduced he will give consideration to the suggestion? If he does not, I am going to return to it.

Mr. ILSLEY: I know. I agree to do that.

Mr. GRAHAM: I want to clear my own mind with regard to one matter. An hon. member, I believe the member for Waterloo South, suggested the case of a person who received $1,000 for the upkeep of two or three or more children. That would not be included in his income; it would be regarded as trust funds.

Mr. ILSLEY: That is true.

Mr. HARRIS (Danforth): I have an observation to make upon a matter which was brought to the minister's attention on June 27. At page 1197 of *Hansard* there is this reference to the new income tax forms:

> I make this suggestion, that when the new forms are printed, provision be made for exemption for the children who are coming from Britain. . . . Let us have more of them here, and for those good people who take them into their homes let us give the full exemption that is given for our own children. Do not even put them in the category of "other dependents"; make them part and parcel of us now. And do not put those who are charged with looking after those children in the position of having to make a separate affidavit that they have refugee children in their homes.

And then a case was recited. Surely the matter has been under consideration by the department since that statement has been made.

Mr. ILSLEY: It has been.

Mr. ADAMSON: I should like to cite to the minister two cases. One of them relates to a man who is now paying supertax and who has invited and received five children into his own home. I have talked to him over the week-end, and if he is denied any allowance, the maintenance of these extra children, and also the mother, will be a serious burden on him. In another case which, as it touches me personally, I hesitated to mention, a brother officer cabled to me saying that he had been shifted out of England and would I be responsible for his wife and two children for the duration of the war? Naturally I replied, yes. In this event I shall be in a category, as far as I have worked the matter out, to which this scheme is not applicable. Between incomes of $5,000 and $6,000 per annum there is imposed a thirty per cent tax applicable to these brackets, and if an allowance of $400 were made, thirty per cent would be roughly $120 a year. I can assure the committee that nobody can raise a child in this country, keeping it adequately clothed, fed and educated, for $10 a month.

Mr. ILSLEY: The government is not aiming to pay people the entire cost.

Mr. ADAMSON: I realize that perfectly. My point is that people in these higher income brackets who are undertaking the care of these children are definitely assuming a considerable obligation, and I think such people should be encouraged in this direction. They are the very people whom we want to take British children; they are a class who can bring up these British children and make them understand what a fine place Canada is. By every act and attitude the government should encourage the bringing to this country of the largest possible number of British children for the duration of the war. We want them to come both for our own sake and for the sake of Great Britain. I suggest that the least we can do is to apply this $400 exemption without exception in respect of all British children received into Canadian homes.

Mr. CLAXTON: I want to say just a word in support of what the last speakers have been saying. Over the week-end I had something to do with making arrangements for bringing out four families. In three cases there is no possibility of their Canadian hosts receiving a cent of remuneration or recompense of any kind; and they do not fall within the class, mentioned a moment ago, of people who pay supertax; they are people who are hard put to pay the taxes which they now pay. Consideration of the kind now suggested would be a great relief to them in this good work in which they are prepared to do everything in their power to assist.

[Mr. Ilsley.]

Mr. MacNICOL: Has the minister all the details of the scheme at the other end, that is in Great Britain, particularly with regard to allowances for children? I noticed to-day in a Leeds paper which I have just brought from my room that, among a number of questions in the British house, someone asked regarding these children, "Who pays for their keep?" The answer was made that exactly the same arrangements operate as in ordinary evacuations. The parent pays six shillings a week and the government pays the rest. Is there something in the scheme on the other side whereby the British government pays for the upkeep of children brought over here?

Mr ILSLEY: I do not know.

Mr. MacNICOL: I shall send the minister the clipping.

The CHAIRMAN: I would suggest that this is hardly consonant with the item under discussion.

Mr. MacNICOL: I thought that something about the guest children was being discussed.

Mr. ILSLEY: I have no knowledge of any such arrangement.

Mr. HANSON (York-Sunbury): I did not quite understand that the minister was acceding to my proposal that between now and the introduction of the bill he give consideration to the limited class of exemptions which I mentioned.

Mr. ILSLEY: Yes, I agree to do that.

Amendment (Mr. Ilsley) agreed to.

Mr. ILSLEY: I am sorry that I have to reintroduce another controversial matter by moving an amendment to insert a resolution to be numbered 5B.

There was considerable discussion last evening about the taxation of members of the forces. Some of the debate related to taxation under the Income War Tax Act by way of graded tax, and some of it related to the national defence tax. I have considered the representations which were made last night. My own feeling about the matter was, at first, that dependents' allowances for men and non-commissioned officers should not be subject to the national defence tax. I felt that those taxes are so near the minimum required, although they are considerably larger than they were during the last war, that perhaps it would not be regarded as proper for the government to impose the national defence tax on these allowances. Therefore my first thought was that dependents' allowances for privates and non-commissioned officers should be exempt from the provisions of the national

defence tax. If that were done, there did not seem to be much reason why they should not also be exempt from the graded tax provisions.

Further consideration brought this interesting fact to light, that even if dependents' allowances were exempt from the national defence tax and the graded income tax, privates who are single would still be taxable because at the rate of $1.30 a day the yearly compensation would be $474.50, and a valuation of the subsistence could not be possibly less than 50 cents a day. That would bring the total amount to over $600, and therefore the national defence tax, by eliminating dependents, would subject all privates and non-commissioned officers to taxation. I thought perhaps that if we were taking any steps in the matter, we might go the whole way with privates and non-commissioned officers and exempt them from the provisions of both taxes. The amendment I move is this:

That the said resolutions be amended by adding thereto as resolution 5B the following resolution:

"5B. That the service pay and allowances of warrant officers, non-commissioned officers and men of the Canadian naval, military and air forces be exempt from income tax."

Mr. GREEN: As the part of the resolution dealing with the national defence tax now stands, all officers, non-commissioned officers and men serving beyond Canada, and also all officers, non-commissioned officers and men serving in the navy, and in the air forces, are exempt from the tax. Is it intended to take away those exemptions? I suggest that the minister extend the exemptions to cover all men serving in the active service force. They have enlisted for service anywhere in the world, although at the moment many of them are in Canada. I do not think it is fair or reasonable that those men who have enlisted for service overseas should be deprived of the exemptions simply because they happen to be in Canada at the moment. After all, it is a special tax, a national defence tax. The name implies what it is. The idea is to help pay for our defences, and I cannot see why those men who are doing the defending should pay the tax in addition to rendering the service. It does not make sense. The Canadian people would not wish to see men in the active service force compelled to pay the national defence tax.

Mr. ILSLEY: I wish the hon. member would allow the question of officers overseas to stand. That, however, does not prevent the passage of the resolution I propose.

Mr. GREEN: The resolution deals only with the income tax?

Mr. ILSLEY: Yes.

Amendment (Mr. Ilsley) agreed to.

6. That a tax of five per centum be imposed upon Canadian residents with respect to all interest or dividends paid or payable by Canadian debtors in a currency which is at a premium in excess of five per centum in terms of Canadian funds.

Mr. HARRIS (Danforth): This section is another of those financial transactions that tend to freeze up Canadian capital. It is quite true that we have very few heavy maturities coming due in New York so far as the dominion is concerned. The first one matures in May, 1941. In the meantime this tax of five per cent on Canadian residents who probably have some of that New York investment is really a penalty on the Canadian resident whereas the American who might have some of the maturity escapes the tax; he is a United States citizen.

The tendency in taxing funds of this kind is to slow down the renegotiating, under the Neutrality Act, of loans at present outstanding in New York. As the Minister of Trade and Commerce knows, Edmonton has a maturity coming due in New York funds. A large number of municipalities in Canada have millions of dollars coming due in New York funds. The city of Toronto has a three-way $7,000,000 loan coming due shortly. Many of these funds, even though payable in New York funds, are held by Canadians. Some Canadians are patriotic enough to accept their money in Canadian funds. If they do, must they nevertheless pay this five per cent tax? They must, as I read this resolution. The instrument is drawn payable in New York funds. I should like the minister to tell me whether I am sound in that observation. If a Canadian is patriotic enough, when he owns a maturity which is due in New York and payable in New York funds, to waive the premium and simply accept his hundred Canadian dollars from his municipality or from the owner of the indebtedness, whoever he may be, will the Canadian nevertheless have to pay the five per cent tax, seeing that the instrument is drawn in terms of New York funds?

Let me follow the matter through further. Many of these obligations will undoubtedly be renewed. As I understand the Neutrality Act of the United States, it is quite all right for them to renew loans with any country which is considered belligerent, provided that country meets its obligations in the matter of interest and provided further that New York is satisfied. There is no deterrent in that

respect. But the resolution speaks of dividends paid or payable. Some of these dividends may not be paid, some of this interest may not be paid, but it is payable by Canadian debtors in terms of Canadian funds. If it is not paid, is just payable, nevertheless it is taxable as far as this resolution is concerned. Will any consideration be given in that regard? I should like the minister to enlarge on resolution 6 for the benefit of those who have dividends coming due.

Mr. ILSLEY: Some securities are payable in two currencies at the option of the holder; the normal case would be Canadian and United States currencies. For instance, the holder of a bond on which $100 interest is payable, who has the option of taking $100 United States or $100 Canadian, is likely, under present conditions, to take the United States dollars. Many of these securities were issued years ago, and in those instances at least, the additional ten per cent that the person receives is somewhat in the nature of a windfall. Legislation similar to this has been on the statute books for some years, and provided for a five per cent tax being payable. To a person who invested at that time, when the two currencies were practically of the same value, the option did not mean much, and he is not being allowed to get the benefit of the changed conditions without paying something to the government; that is the theory underlying the tax, which was imposed in 1933.

Mr. HANSON (York-Sunbury): That is not quite the way to put it. This is unearned income, which the government has just taken to itself.

Mr. ILSLEY: Well, that is about what I said. I used the term "windfall" instead of "unearned income", but that is what a windfall is. Perhaps "windfall tax" would not be very good language for the minister to use, but that, as I understand it, was the purpose of the section as originally enacted.

Debtors paying interest that fell due on the bonds, for instance, found that they could make an advantageous arrangement with the persons to whom the interest was due. They could say to the holder of the bonds, "You have a right to be paid in United States currency—the word 'payable' is not in." The old section read:

> 9B. (1) In addition to any other tax imposed by this act an income tax of five per centum is hereby imposed on all persons resident in Canada, except municipalities, or municipal or public bodies which in the opinion of the minister perform a function of government, in respect of all interest and dividends paid by Canadian debtors, directly or indirectly to such persons, in a currency which is at a premium in terms of Canadian funds.

[Mr. J H. Harris.]

So the creditor would say, "I do not want to be paid in United States currency, I will take my money in Canadian currency, and I will not ask you to pay me the full amount of the premium. If you will pay me $4.50 instead of $10 premium, that will be satisfactory to me." So he would get the $100 interest and $4.50 premium, and the dominion government would get nothing. The creditor would receive just as much as if he had claimed payment in United States funds and taken $110, and turned round and paid the dominion government $5.50. By these arrangements between creditors and debtors the dominion government found that in many instances it was not getting any income under this tax, although naturally a tax was expected under these conditions. The section failed of its purpose.

Mr. HANSON (York-Sunbury): Does the minister say that this actually occurred?

Mr. ILSLEY: Oh, yes, it occurred; that is the reason for the amendment.

Mr. NEILL: Does the minister think the wording of the act, of 1933, justifies the government in claiming five per cent on the amount of the premium? It seems to me it should be only on the amount of the dividend. Instead of that, they have been taking, through the banks, five per cent on the exchange premium as well. As the minister said just now, instead of five per cent on the $100 the government take five per cent on the whole amount, and that reduces the premium which the customer receives to $4.50. Where does he find in the language of the act of 1933 any justification for charging five per cent on the amount of the premium?

Mr. ILSLEY: Five per cent is payable in respect of all interest and dividends.

Mr. NEILL: But this is not interest or dividends; this is premium. The government charge five per cent on the interest or dividend; that is the law, that is all right. But they also charge five per cent on the premium, which is not provided for in the act at all.

Mr. ILSLEY: Well, if the amount was claimed in United States currency the five per cent tax is collected on the amount paid, which would be worth, say $110.

Mr. NEILL: But the act does not say "the amount paid", it says "all interest and dividends paid", and exchange premium is neither interest nor dividend.

Mr. HANSON (York-Sunbury): It is premium. That is the way in which they work it out anyway.

Mr. ILSLEY: I think the five per cent is collectible on one hundred United States dollars.

Mr. NEILL: And the exchange is ten dollars.

Mr. ILSLEY: Never mind what the exchange is; the dividend or interest is one hundred United States dollars which the holder of the security elects to take. This resolution imposes a five per cent tax on that one hundred United States dollars, which would be more than five Canadian dollars. It would be—

Mr. HANSON (York-Sunbury): It would be $5.50.

Mr. ILSLEY: Yes, about $5.50. That is the justification.

Mr. NEILL: Well, I still think exchange premium is not a dividend.

Mr. MacNICOL: Does this resolution apply to a Canadian receiving a dividend from the United States? When a Canadian holder of a United States stock receives his dividend cheque, it comes in United States funds. Does this resolution apply to that?

Mr. ILSLEY: It applies to Canadian debtors, not United States debtors.

Mr. HANSON (York-Sunbury): What the hon. member is asking is in regard to dividends payable by United States companies in United States funds. They come here, and the Canadian holder gets a premium of ten per cent on the amount of the cheque. The government takes the tax on it. I do not recall under what section they get it, but I know they get it; the recipient has to account for the premium.

Mr. ILSLEY: Just in the general income tax.

Mr. ADAMSON: That would include a Canadian debtor, such as International Nickel. But the United States Steel corporation would not be a Canadian debtor. Dividends received in United States funds from purely United States sources would escape this tax.

Mr. ILSLEY: They do not escape it; they are not subject to it.

Mr. ADAMSON: That is the point I wanted to clear up. If our currency should go lower; if it should go to a discount of twenty per cent, this five per cent would still apply?

Mr. ILSLEY: Yes.

Mr. GRAHAM: In the case of a Canadian investor holding stock in a United States company, the federal authorities of the United States tax the dividends which are paid out. Does Canada, in like manner, tax Canadian dividends paid to United States investors?

Mr. ILSLEY: Yes; there is a five per cent withholding tax imposed in both instances.

Mr. CASSELMAN (Edmonton East): As I understand it, this has a great deal to do with interest paid by our municipalities on debts owing in the United States. They are largely affected by it, are they not?

Mr. ILSLEY: The tax is imposed only on residents of Canada.

Mr. CASSELMAN (Edmonton East): I am a member of the Edmonton city council, and we have heavy payments coming due on August 1 in United States funds. A few minutes ago I think the minister said this amendment was proposed for the purpose of getting away from the arrangements that have been made with Canadian holders of those securities payable in United States funds.

Mr. ILSLEY: That is true.

Mr. CASSELMAN (Edmonton East): Then the result will be that the municipalities, in this instance the city of Edmonton, will be asked to pay that tax of five per cent to this government. Does the minister think that is fair?

Mr. ILSLEY: We are asking the holders of the securities to pay that tax of five per cent.

Mr. CASSELMAN (Edmonton East): But the fact is that by this amendment the minister is putting a heavy burden on all municipalities having securities of that kind, and there must be many of them across Canada.

Mr. ILSLEY: I think it was the city of Edmonton that made an arrangement some time ago by which the persons to whom they owed money would escape that tax. We were obliged to admit that as the law was drawn there was nothing to prevent the city of Edmonton from making such an arrangement with their creditors. They did make it, and the dominion government was unable to collect any tax, although I think anyone would say that the spirit and the intent of the legislation were that the lender, the creditor—not the city of Edmonton—who purchased these bonds years ago when the two currencies were about equal, was getting something he did not expect to get when he came to collect his interest.

Mr. HARRIS (Danforth): I am sorry, but I cannot hear a word. On a point of order, I think the minister should address the chair.

Mr. ILSLEY: It is a little difficult for me to talk to the hon. gentleman most interested

in the matter when he sits directly behind me. I think I have said about all I had to say, anyway. I deny that the tax is on the city of Edmonton or any other municipality; the tax is on the person who loaned the money.

Mr. HARRIS (Danforth): I raised the question about Edmonton in the first place; that is why I was so anxious to hear the minister's explanation when the question was raised again.

While I am on my feet I should like to ask a further question concerning three-way maturities, those payable in Canadian funds, New York funds or London funds. Sterling is at a discount, and as I read this resolution, since one of the three options is payment in New York funds, under resolution 6 payment under any of the three alternatives would come under the tax. Is that a fact?

Mr. ILSLEY: That is a case which comes under resolution 6.

Mr. HARRIS (Danforth): If the maturity is met by the acceptance of sterling, it would still be taxable?

Mr. ILSLEY: That is true.

Mr. HARRIS (Danforth): Then resolution 6 really means whether the currency is at a premium or a discount, provided it is a three-way maturity?

Mr. ILSLEY: It means that if it is payable in a currency which is at a premium, it is taxable, no matter in how many other currencies it may be payable.

Mr. HANSON (York-Sunbury): If a man accepted sterling he would still pay the tax?

Mr. ILSLEY: Yes, but I do not believe many people would do that. I do not know just why they would.

Mr. NICHOLSON: Is the five per cent tax on the premium or on the total amount paid?

Mr. ILSLEY: It is on the total amount.

Mr. CASSELMAN (Edmonton East): Would the minister consider that some exception might be made in cases of municipalities such as I have mentioned? I quite agree with the principle that where a Canadian resident is getting a windfall, the government should get a fair share of it, but I should like to direct attention to the situation I mentioned before. The city of Edmonton has heavy interest commitments on August 1. In the past, due to the exchange premium of ten per cent, we have had to find $110 for every $100 we had to pay. We tried to save our taxpayers as much as possible by entering into this private arrangement, which was permitted under the act as it stood. In other words, we said to the Canadian holder, "We will pay you $104.50 and we will save $5.50 for our taxpayers." Now, if this amendment is put through, it will compel our taxpayers to find the full $110 for every $100 that is due.

Mr. ILSLEY: That is what they agreed to do.

Mr. CASSELMAN (Edmonton East): It is true that they agreed to do it, but they never expected to do it, and this is a heavy burden on the municipalities. I want to register a protest and to suggest that an exception might be made in regard to our municipalities, which certainly have been hard hit during recent years, for various reasons which I need not go into now. I think they should have some consideration in this matter.

Mr. NICHOLSON: I think the point taken by the hon. member for Edmonton East is perfectly logical. I believe those who purchased the bonds originally expected that Canadian currency would be at par when these interest payments came due. I wonder if the minister could not take the entire premium, if United States money is worth an extra ten per cent. Would it not be logical to give the government the entire difference, rather than have it go to Canadian creditors who, at the time they entered into this undertaking, expected that the currency would be at par?

Mr. ILSLEY: I think that would be going a little too far.

Mr. HARRIS (Danforth): I am not quite satisfied with the minister's reasons for inserting the words "or payable." I have not a copy of the old act, but I understand that the words "or payable by Canadian debtors" have been added. I am quite in agreement with the minister in regard to the dividends that are paid in foreign currency, but would the minister enlarge on the reason for adding those words?

Mr. ILSLEY: In order to prevent the evasion I mentioned. With the word "paid", no tax was collectible unless the interest was actually paid in the foreign currency. The debtor did not pay in the foreign currency; he paid the creditor less than the creditor was entitled to receive, in Canadian currency, and the amount of the reduction was the amount of the federal tax. The city of Edmonton, to take that example, when it agreed to pay in either United States or Canadian funds at the option of the holder, agreed that if the premium should go to 10 per cent, it would have to raise $110 for every $100 due. We put a tax on the lender, or we thought we did, in the event of that taking place, back in 1933 or 1934. Now, by virtue of the exist-

ence of our tax, the city of Edmonton was enabled to pay less than it contracted to pay, namely, $104.50 instead of $110. It is a disturbance of that arrangement which it is now said is unfair.

Mr. GRAHAM: What would be the position in respect of Alberta, where their bonds are payable in New York funds, but where the government of the province has consented to pay only one-half? The whole would be "payable". Would the Canadian debtor have to pay the whole amount, despite the fact that the government of Alberta refused to pay it?

Mr. ILSLEY: The debtor, in that instance, would be the government of Alberta.

Mr. GRAHAM: Yes. But it will be noticed that under this particular resolution the amount that would be payable would be twice as much as Alberta would be willing to pay. Would the holder of the bond, the lender, have to pay on the whole amount or on the amount he received?

Mr. ILSLEY: That is a good question. I shall have to think about it.

Mr. CASSELMAN (Edmonton East): In furtherance of what was suggested by the hon. member for Mackenzie, I should like to ask this question: What is the government's objection to taking the whole of that amount, instead of simply 5 per cent of it? If the city of Edmonton must pay it, which under the circumstances we object to doing, we would far rather pay it to the dominion government than to a private individual. What is the government's objection to taking the whole of it?

Mr. ILSLEY: Because while the lender probably thought at the time he lent the money that he would not get a premium, nevertheless his contract entitled him to it. It would be reducing a two-payment bond of this kind if we were to take the whole premium.

Mr. NICHOLSON: The government is breaking the contract, is it not?

Mr. ILSLEY: No. We are placing a tax, but we are not altering the nature of the bond entirely. We would be doing so if we accepted the hon. member's suggestion.

Mr. MAYHEW: A man being paid his interest in Canadian money, or at the value of Canadian money to-day, is getting that for which he contracted, and he is not entitled to one cent more. I claim that in most instances the contract was made for the convenience of those who were buying our bonds outside Canada. It is not a convenience to a man when he can cash his bonds in any of our banks, and secure an additional 10 per cent or 20 per cent; it is simply cheating the rest of his fellow citizens in Canada, when he is allowed to do it.

Mr. HANSON (York-Sunbury): I would not say that.

Mr. MAYHEW: If he is living in Canada, he should not be allowed to continue to cash his bonds at the United States rate of exchange.

Mr. HANSON (York-Sunbury): I do not agree with the hon. member at all. That word "cheating" is altogether too strong.

Mr. MAYHEW: Probably, but it has that result.

Mr. HANSON (York-Sunbury): I do not agree that it has that result. I think a word should be said in defence of those who are affected. There is a contract, and I would point out that that contract is important. I am not going to say it is sacred, although that word is often used in connection with contracts. It is important, however, that its terms should be observed. If we are to have a sense of security and if we are to be able to do business and to lend money, it is important that the terms should be observed. If I undertake to borrow money from Tom, Dick and Harry, and say to them, "I will pay you at your option in either Canadian dollars, United States dollars or pounds sterling," I know in advance the full risk I take. If it goes up one way or down another, I have to take all the chances of what time and events may bring forward. If it should happen that I have to pay a premium in United States funds, that is a risk which I know full well I must take when I enter into the contract. To say it is cheating—well, I just cannot agree with that. It is not a proper term to use.

Mr. JOHNSTON (Bow River): It is not legalized.

Mr. HANSON (York-Sunbury): I do not think the hon. member is serious when he uses the word "cheating" in that connection. I do not know anything about legalized cheating, and I wish to dissociate myself from any suggestions of the sort. It is a contract, and when we enter into it we know exactly what it may mean. I must dissociate myself from any suggestion that it is cheating.

Mr. MAYHEW: The leader of the opposition was not asked to associate himself with the word "cheating" at all. It was I who said it.

Mr. HANSON (York-Sunbury): I know that.

Mr. MAYHEW: I am quite willing to say that it may have been a strong word.

Mr. HANSON (York-Sunbury): All right.

Mr. MAYHEW: Nevertheless, a man who is cashing his coupons to-day and receiving United States money for them is getting more than he was entitled to, and more than he anticipated getting in the first instance.

Mr. HANSON (York-Sunbury): No.

Mr. MAYHEW: Therefore I say he is taking from his fellow taxpayers money which does not rightly belong to him. The provision was inserted in the first instance in order to extend the field in which the city borrowing money might be able to obtain funds, and to make it convenient for those living in another part of the country to make sure that they were going to cash the investment at the funds prevailing in the country. But it was never intended in any event to fight it on this basis.

I had an experience which I am sorry I cannot place on record. I may say, however, that I fought it on two occasions with the municipality of Oak Bay, and won in both instances. At that time I was reeve of Oak Bay.

Mr. HANSON (York-Sunbury): It would depend on the terms of the contract.

Mr. NICHOLSON: We should remember that our Canadian funds are selling at a discount because of a special emergency, and that those who bought those securities bought them when that emergency did not exist. At that time those securities were sold to attract buyers in wider markes. I submit that if we are not breaking the sanctity of the contract when we suggest taking five per cent, we are not breaking the contract when we suggest taking ten per cent, twelve per cent or fifteen per cent as the case may be. The same principle holds.

I suggest that those Canadians holding bonds payable in Canadian funds or in United States funds should during this crisis be content with receiving payment in Canadian funds.

Mr. MacNICOL: It would affect all holders of United States insurance policies, would it not? I am not one of them, but I know a gentleman who recently cashed a United States policy, one he had taken out with the New York Life, or some other company in that country. He received several hundred dollars more than the amount to which otherwise he would have been entitled.

Mr. ILSLEY: This resolution relates only to payments by Canadian debtors.

Mr. MacNICOL: The Canadian creditor is lucky, then.

[Mr. R. B. Hanson.]

Mr. ADAMSON: Unfortunately I cannot agree with what the hon. member has said. The buying of a security with a foreign payment clause or the buying of a security payable in a foreign currency necessitates some risk being taken by the purchaser. We all do it. If we had bought securities which were payable in sterling I do not think we would be justified in demanding that the government pay those bonds at the old rate of exchange. The Grand Trunk railway four per cent perpetual securities were paid at the old sterling rate of exchange of $4.86\frac{2}{3}$ up until 1931 or 1932. In 1933 the government of Canada, being the debtor, found they could not continue to service those debentures at the old par rate of exchange, and they gave the debenture holders the current rate, which was then and is to-day at a considerable discount. The holders of those four per cent Grand Trunk bonds had no complaint to make; they had bought a sterling security and they were satisfied. When anyone buys a United States security or a security payable in United States funds they receive their payment in United States funds. If it works one way it should work the other, and therefore I think the argument is untenable.

Mr. HARRIS (Danforth): I have read this rather carefully, but I cannot find a section which is equivalent to the section in the 1932 act. Section 9B (1) of the act of 1932-1933 reads:

> In addition to any other tax imposed by this act an income tax of five per centum is hereby imposed on all persons resident in Canada, except municipalities, or municipal or public bodies which in the opinion of the minister perform a function of government.

Is there any equivalent section in this resolution?

Mr. ILSLEY: Not in the resolution.

Mr. HARRIS (Danforth): In the act itself?

Mr. ILSLEY: I think it will be there, yes.

Mr. HARRIS (Danforth): The minister says it will be in the act.

Mr. ILSLEY: I said I thought it would be there; it is in the draft bill.

Mr. HARRIS (Danforth): In view of the fact that it is not the purpose of this legislation to penalize municipalities or other bodies which perform the functions of government, I assume the minister will be amenable to receiving representations from those municipal bodies which are most seriously affected by this resolution?

Mr. ILSLEY: If the municipalities are creditor municipalities, they are taken care of by the provisions of the act. The act is in their favour now.

Mr. HARRIS (Danforth): Certain of these securities are maturing in 1940, and certain debenture holders have come forward as patriotic citizens and said they are ready to accept Canadian funds. Yet those debenture holders find themselves being penalized.

Mr. ILSLEY: The hon. member is talking about municipal debtors. Apparently he is associating himself with the hon. member for Edmonton East (Mr. Casselman). We are simply carrying out the spirit and intent of the original tax.

Mr. HARRIS (Danforth): In the case of Toronto, there are $7,000,000 worth of securities coming due in New York, and the hon. member for Edmonton East referred to other securities of his city coming due on August 1. I should like to consider this matter over the dinner recess. I agree with the minister that perhaps this is not the concern of the municipalities because they are the debtors, but many citizens have been patriotic enough to accept Canadian money in payment of these securities and they are being penalized. They have refused to accept the ten per cent windfall to which the minister referred, and yet they find themselves liable under this legislation. Under the old legislation those municipalities which were performing the functions of government received a certain consideration, and I understand they will receive the same consideration in the new bill. I purpose pursuing this matter after the dinner recess.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

The CHAIRMAN: Shall resolution 6 carry?

Mr. HARRIS (Danforth): At six o'clock we were discussing this resolution, which has to do with amending the provision in the old act, section 9B (1). I fully agree that contracts entered into by municipalities which borrow money in New York or London in Canadian funds must be honoured to the letter. But if municipalities can agree with the people from whom they borrow upon an amended contract whereby they can liquidate their payments in any other manner, that amendment of the original contract has as much force as the original agreement and should be honoured in the same degree. But under this amended resolution municipalities would be precluded from making any arrangements with their creditors. At any rate the new arrangement that they make must be on the basis of this amendment as it is passed, and all I am asking the minister is that the power provided in the present Income War Tax Act be retained, inasmuch as municipal indebtednesses are involved and the burden of paying the tax will fall upon property owners who pay a substantial portion of all municipal taxation. As far as individual holders of securities are concerned, I am not asking for any consideration on their behalf. All I am concerned about is that provision which was in the old act.

Mr. ROSS (St. Paul's): I rise to support my colleague the hon. member for Danforth in his contention. I agree with him that the municipality should be allowed to make whatever arrangements it likes with individuals or with any other body. The way things are at the present time, unless municipalities are allowed to make arrangements with various institutions and individuals, they will have to send their bonds to New York and they will go through the regular channel.

I draw the attention of the minister to one of the most ridiculous situations which can possibly arise in this connection. Toronto has a sinking fund of some $20,000,000. As they hold these bonds of the city in the fund, it is forced from time to time to pay this tax to the government. That is, when these bonds become due, it is compelled under this resolution to pay the government five per cent. These bonds which the city itself holds are payable in three ways. The city is in the position of debtor and of creditor, and in order to liquidate the debt to itself it has to pay the dominion government five per cent. As the hon. member for Danforth has pointed out, if the government insist upon collecting five per cent under these conditions there will not be many arrangements made between creditor and debtor. The citizens of Toronto, in addition to being taxed in various ways by the federal government, are now to be subjected to an additional five per cent tax. After all, we want to make it as easy as possible for municipalities to refund their debts and to reduce their taxes, so that the dominion government may more readily obtain all the money required for our war effort. I hope the minister will give consideration to this matter.

Mr. ILSLEY: I just want to point out that if a municipality is the holder of its own bonds, it is not liable to taxation under this resolution.

Mr. ROSS (St. Paul's): I do not quite understand why.

Mr. ILSLEY: It is provided for in the resolutions.

Mr. HANSON (York-Sunbury): I rise to renew the plea of the hon. member for Danforth. My attention has been called to section 9B, which I understand is the law at the present moment and was added in 1932-33. It provides that:

(1) In addition to any other tax imposed by this act an income tax of five per centum is hereby imposed on all persons resident in Canada, except municipalities, or municipal or public bodies which in the opinion of the minister perform a function of government, in respect of all interest and dividends paid by Canadian debtors. . . .

The words, "or payable" by Canadian debtors, are not there. I have not yet heard any good reason why the law is being changed in respect to these municipal bodies, except the inference which may be drawn that the government wants to get some more revenue from this source. Is that the real reason? That would be the effect of the proposed change in the law. Of course, we have not the actual legislating section before us, but if the section in the bill follows the terms of the resolution it will have the effect that I suggest, namely, that municipal bodies will have to pay the additional tax to the federal government.

Mr. ILSLEY: The words in the former section relating to municipalities are to be in the new section. No change is being made in that regard, although the words do not appear in the resolution. The change is intended to prevent the evasion I described this afternoon.

Mr. HARRIS (Danforth): As the minister knows, the bank of Montreal has been redeeming these maturities at 104½, and privately the municipalities are paying some off with $100 Canadian, whereas they were worth $110 in New York. The owner, however, waived the premium to the municipality and in quite a number of instances accepted $100 Canadian. With this amendment he must pay the five per cent tax on $100 Canadian, and he will say to himself, "I might as well take the $110", with the result that the extra ten per cent is a burden which the taxpayer in the municipality has to pay. I would ask that, with respect to those individuals who are satisfied to take $100 in Canadian funds, the department do not collect; and, second, that consideration be given with regard to all maturities paid on the basis of $104.50.

Mr. ILSLEY: I do not think the government could do that. It would be agreeing to go fifty-fifty with the individual bondholder. It would be offering to forego our tax if he would make a concession to the city, and I do not think it would be the sort of transaction to which the government could be a party. It would be too loose.

Mr. MAYHEW: I should not like it to be understood that I personally had never collected any premium on coupons of this kind or that in future I would not collect it. As long as this law is in force I am not foolish enough to forego the privilege of helping to pay taxes, for the other fellow to collect them; nevertheless it is not in the best interests of the taxpayers to allow people to collect the ten per cent premium on Canadian bonds. I do think that Canadians should forego that premium, but those domiciled in the United States should get the United States dollar for which they contracted. In proposing to do what they are doing—collecting five per cent—the government are themselves violating the contract, which they are not willing that the other fellow should do. If they can take five per cent of this money they can easily take the ten per cent and give that back to the municipality if they wish to do so. But it would be much more simple and more honest if we merely prevented those domiciled in Canada from collecting the United States premium on the money.

Mr. HANSON (York-Sunbury): Let me put this case to my hon. friend. A subsidiary company located in Canada and wholly owned by a United States corporation chooses to issue bonds payable in the currency not only of Canada but of the United States and of Great Britain as well. The bonds are offered simultaneously in Canada and the United States, because it is a huge issue of $50,000,000 which could not possibly be all absorbed in Canada, although nominally it is a Canadian company. The coupons and probably the bonds are payable as I have suggested. Does the hon. gentleman suggest that in that event it is an unpatriotic act to accept the ten per cent premium on the coupons of that wholly owned United States company?

Mr. MAYHEW: I would say that they are not parallel cases at all. One is a commercial undertaking, and in the other case something is coming out of the pockets of the taxpayers which they have no alternative than to pay.

Resolution agreed to.

7. (a) That the income accrued or earned during the life of any deceased person shall, when paid, be taxable income in the hands of his executors or trustees.

(b) That income received by executors or trustees and capitalized shall be taxable income of such executors or trustees.

Mr. HARRIS (Danforth): Would it be taxable again when paid over?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): It depends, does it not? I had an idea that this was the law now, but perhaps I am wrong, because the minister is making a change. Income accrued or earned during the life of any deceased person becomes capital in the hands of the executors or trustees.

Mr. ILSLEY: That is the theory.

Mr. HANSON (York-Sunbury): I think that is correct, and I do not see why it should not be taxed as income against the estate. But paragraph (b) is quite a departure from the present law. I should like the minister to answer two questions: Under (a) has not that income been always taxable? Second, is paragraph (b) new?

Mr. ILSLEY: As I understand it, uncollected income of the deceased person becomes part of the capital of the estate, and when that comes in, it is not taxable at present as income. This amendment makes it taxable as income. It is received by the executors or trustees. That is (a) and it is new. Although as the commissioner tells me, it has generally been regarded as having been the law in the past, this is necessary to make it law.

Mr. HANSON (York-Sunbury): You have treated it as income without legal justification?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): That is a frank admission. I thought the king could do no wrong. But I agree that it is income which should be taxed, that it becomes part of the corpus. If this is needed to regularize it, I am in agreement with what the minister proposes to do.

Mr. MacNICOL: I have in mind the estate of a person who died some three years ago leaving something in the neighborhood of $20,000 in cash in the bank. The will has not been probated but, I am told will be shortly. There are three members of the family. For the sake of easy figuring let us say that the estate amounts to $21,000; that would be $7,000 each. In the meantime at 1½ per cent interest, $315 a year of interest would accumulate. When the estate is divided, do the heirs pay income tax on the interest that has accrued during the past three years?

Mr. ILSLEY: I hesitate to give opinions on a case like that on the floor of the house, without asking the hon. member some questions about it that do not occur to me now. It is a legal question, and if I gave an opinion it might be taken as binding the department.

Mr. HOMUTH: Actually it would be taxed.

Mr. ILSLEY: That is not covered by resolution 7 (a), which relates to income accrued or earned during the lifetime. If I understood the hon. member's question, it relates to income accrued after death. Section 11 of the act reads:

> The income, for any taxation period, of a beneficiary of any estate or trust of whatsoever nature shall be deemed to include all income accruing to the credit of the taxpayer whether received by him or not during such taxation period.

I think that answers the question. It is the income of the beneficiary.

Mr. MacNICOL: I was speaking of a three-year period. Would he be charged yearly?

Mr. ILSLEY: Yes, yearly.

Resolution agreed to.

> 8. (a) That the qualifications of personal corporations as set forth in the act shall be extended to include revenue derived from the hire of chattels or from charter party fees.
>
> (b) That a company shall not be deemed to be a personal corporation if it carries on an active commercial or industrial business.

Mr. HANSON (York-Sunbury): Would the minister explain this resolution, and the reason for it?

Mr. ILSLEY: Personal corporations now, to the extent of at least one-quarter of the gross revenue, must receive that revenue from certain sources set out in the act, namely:

> (i) from the ownership of or the trading or dealing in bonds, stocks or shares, debentures, mortgages, hypothecs, bills, notes or other similar property.
>
> (ii) from the lending of money with or without security, or by way of rent, annuity, royalty, interest or dividend, or
>
> (iii) from or by virtue of any right, title or interest in or to any estate or trust.

There has been some controversy as to whether "rent," as defined in the second of the three subdivisions, includes proceeds from the hire of chattels and the making of charter parties, and it is considered that that class of dealings comes within the spirit of these subdivisions and should be added to them.

Mr. HANSON (York-Sunbury): Have there been any decisions?

Mr. ILSLEY: No, I do not think there have been anything but disputes. No decisions.

Mr. HANSON (York-Sunbury): Are there many cases in dispute? If there are only one or two, it seems to me a pity to disturb the law. Let them stand on their legal rights. I hesitate to give adherence to the principle of *ex post facto* legislation, although I know it is carried out in taxation measures, plugging

holes and leaks. I accept the minister's word of course that there is no case pending; I am sure he would not do that sort of thing. But is the matter important enough to amend the law? Are there many cases?

Mr. ILSLEY: No, not many.

Mr. HANSON (York-Sunbury): Then what is the necessity for the amendment? Is the matter important in dollars and cents of possible claims?

Mr. ILSLEY: I would think it might be. I do not know just how important; I hesitate to go into the details of the transactions that take place.

Mr. HANSON (York-Sunbury): I do not want the minister to go into details.

Mr. ILSLEY: They are exceedingly annoying.

Mr. HANSON (York-Sunbury): I suggest that if personal corporations have been in the habit of dealing with this class of business and making some money in it and the commissioner has discovered that, he should not hasten to parliament to have an amendment made to the act to block a possible leak. I think on principle that is not good legislation.

Mr. ILSLEY: This is not retroactive.

Mr. HANSON (York-Sunbury): No; if it were, I would have much more to say. But why not leave these people to their legal rights? Then, if the decision goes against the department and if the crown is losing a great deal of revenue that it ought to have, the act could be amended. I do not think this is good legislation at the moment.

Mr. ILSLEY: I believe the hon. gentleman would think it is if I told him what is taking place.

Mr. HANSON (York-Sunbury): Well, of course, one's point of view is governed by his knowledge or lack of knowledge of particular cases.

Resolution agreed to.

9. That as a means of insuring the collection of tax from non-resident transient persons who earn salary, fees, commissions or other remuneration in Canada, there shall be withheld an amount of fifteen per centum of such remuneration as a credit against the tax found due upon the filing of the income tax return of such person.

Mr. HANSON (York-Sunbury): Would the minister explain this? Might I be allowed for a moment to turn back? It was admitted under resolution 7 that the department had been collecting a tax on income illegally. I do not mean that in any offensive way, but I understand that the minister is regularizing the course of procedure that has been followed in the department with respect to revenue derived from the hire of chattels or from charter party fees. Apparently the department has not convinced itself that it has the legal right to collect this tax, and it is taking the legal right to meet a particular situation. Of course the minister has intimated that if I knew all the facts probably I would change my mind, and that may be so; but I must suggest to the minister again that this is not good legislation in principle. Has the minister any observations to make with regard to resolution 9?

Mr. ILSLEY: Yes. Non-residents who earn salaries, fees or commissions within Canada are liable to Canadian income tax. The present resolution provides for a withholding at the source of fifteen per cent of such remuneration. The amount so deducted will be held as a credit against the tax found due when the person files a return. Under the law as it now stands it is difficult to make sure that persons such as actors, lecturers and others being paid for temporary services in Canada pay their proper income tax before leaving the country. That is the justification for the resolution.

Mr. HANSON (York-Sunbury): I am quite in agreement with that.

Resolution agreed to.

10. That the rate of tax applicable to rents and royalties payable to non-residents of Canada shall be on the gross amount thereof, and in the case of non-resident corporations the rate shall be fifteen per centum, and in the case of non-resident persons other than corporations the rate shall be five per centum, and the Canadian debtor shall withhold such tax before making payment to the non-resident.

Mr. MacNICOL: I have in mind the case of a person who lives in the United States and who owns a property in Toronto, which he rents for less than the tax rate. I believe the taxes on the property are $311 a year, while he receives only $180 a year as rent. According to this section the renter would have to deduct five per cent of the amount of rent sent to the owner in the United States, which would be $9 a year. Will he have to make that deduction monthly or yearly?

Mr. ILSLEY: Five per cent on every remittance.

Mr. MacNICOL: In this instance the owner might better throw away the property.

Mr. ILSLEY: Perhaps I should give the committee some explanation in connection with each of these rather difficult sections. Under section 27 of the Income War Tax Act a non-resident who rents or leases anything

used in Canada, or who receives a royalty or similar payment for anything used or sold in Canada is deemed to be carrying on business in Canada and accordingly is subject to Canadian income tax. At present 12½ per cent is deducted from these payments as a credit against the tax found due upon the filing of a return. The present proposal is to levy a straight tax of fifteen per cent on non-resident corporations and five per cent in the case of non-resident individuals, and at the same time remove the requirement for filing a return. The fifteen per cent rate applying to non-resident corporations in respect of rents and royalties shall not apply to corporations now subject to tax under paragraph (a) of subsection 2 of section 9B, which relates to payments in respect of copyrights and motion picture films. There is a similar provision in the United States law.

Mr. ADAMSON: This is simply a reciprocal arrangement?

Mr. ILSLEY: It is similar to the United States provision.

Resolution agreed to.

11. That the rate of tax applicable to corporations shall be eighteen per centum (in the case of consolidated returns, twenty per centum) on the profits of the year 1940, and in the case of fiscal periods ending in 1940 prior to December 31st, the said rate shall apply to that proportion of the profits thereof which the number of days of the said fiscal period in the year 1940 bears to the total number of days of such fiscal period.

Mr. HANSON (York-Sunbury): I believe the statute was amended with respect to consolidated returns after I left parliament. I think I know why the change was made, but I should like the minister to state why a higher rate is fixed on consolidated returns than on ordinary corporate returns.

Mr. ILSLEY: The losses of a subsidiary may be set off against the profits of a parent company, assuming that they are parent and subsidiary companies. The loss of one may be set off against the profits of the other when the consolidation is permitted, and in a case of that kind that is an advantage.

Mr. HANSON (York-Sunbury): And per contra?

Mr. ILSLEY: If there are profits in both companies, it is a disadvantage to consolidate, but many companies wish to do so in order that they may be able to set off losses against profits.

Mr. HANSON (York-Sunbury): It would depend on the circumstances in each case.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): From what the minister has said I think I understand why the rate is higher. Of course the sum and substance of it is to protect the revenues of the crown. If a company chooses to operate with a subsidiary, sometimes by design and sometimes by force of circumstances, why should they not set off the losses? I am not quite clear yet as to just why there should be a difference. I should think the department would have full control over the manner in which the books of the subsidiary were kept. Some people hold the theory that the subsidiary should never be allowed to make any money or that it should be continually in debt to the parent company, depending on the policy of the board of directors. I have always thought the proper course was to let the subsidiary operate on its own and make what it could. If it made a profit, the parent company, which usually owns 100 per cent of the stock of the subsidiary, would get the benefit of that profit and would pay taxes in that way. I am not yet convinced that this is an equitable arrangement.

Mr. ILSLEY: This is pretty well accepted. As a matter of fact, it is so generally accepted that I really have not given consideration to the fundamental principles underlying it.

Mr. HANSON (York-Sunbury): In what year was this principle established?

Mr. ILSLEY: In 1935, I understand.

Resolution agreed to.

12. That the section of the act in respect of depreciation be amended to provide for the elimination of duplicate depreciation in respect of assets after their transference to persons who have substantially the same equity or interest in the said assets after their transfer as they had before the transfer.

Mr. HANSON (York-Sunbury): Would the minister state the implications of this section?

Mr. ILSLEY: There is a decision of the privy council in the Pioneer Laundry case which decides that a company, even though it is owned by the same persons who owned the predecessor company, may start depreciation over again at the beginning of the life of the new company, even though the assets have been fully depreciated by the predecessor company. And it appears to the crown to be unjust, I may say—

Mr. HANSON (York-Sunbury): I would say that is a strategy.

Resolution agreed to.

13. That the distribution of otherwise tax free profits of a family corporation made after the 31st December, 1942, shall render such profits so distributed liable to income tax.

Mr. HANSON (York-Sunbury): What is the reason for this?

Mr. ILSLEY: In 1925 the law provided that closely held corporations where members of a family worked in the affairs of the company, could elect to have the company dealt with as a partnership and the corporation was called a family corporation. On election the corporate tax was not imposed, but the income of the partnership or family corporation was taxed to the individual shareholders, whether distributed or not. On distribution of the profits by dividends no further tax was imposed. The family corporation provision was repealed in 1932. It is proposed that after 10 years from 1932 the exemption afforded family corporation dividends be repealed. The effect of this resolution will be to compel a distribution of these dividends before that year or in that year. They will not be taxable when they are distributed, but if they are kept beyond that year they will be taxable. This is a small matter. It is not of great importance to anybody, but it is a nuisance to have in the affairs of some of these companies certain of their dividends which are not taxable.

Mr. HANSON (York-Sunbury): I am in agreement with that. I remember the 1925 discussion. I would suggest this, that the limited number of family corporations who are in this position should be notified in this year well in advance, so that they may put their houses in order to meet the situation. I have in mind a substantial corporation in the city of Saint John, which has just this class of undistributed income. They used it as capital in the business. At one time I undertook to reorganize the corporation for the chief shareholder. I outlined a plan whereby this money could be got out, tax-free, and the gentleman in question rather balked on it, because I was suggesting the setting up of a new company with a similar name, and he could not bear the thought of foregoing his old family name. The matter fell through.

This would give that gentleman an opportunity to comply with the law, get his income out and put the whole matter on a regularized basis. I suggest that plenty of notice be given to these companies.

Mr. ILSLEY: I believe I can undertake on the part of my colleague the Minister of National Revenue that that will be done. I should correct the impression I gave that the amounts undistributed are small. As a matter of fact, the amounts undistributed are large.

Mr. HANSON (York-Sunbury): Yes, they are.

Mr. ILSLEY: The tax-free surplus still to be distributed is approximately $16,400,000.

Mr. HANSON (York-Sunbury): I thought it was a large amount.

Mr. CASTLEDEN: What is the definition of a family corporation?

Mr. HANSON (York-Sunbury): The hon. member will find the definition in the act.

Mr. CASTLEDEN: Does it mean that all the shares are held in one family, or just the voting shares?

Mr. ILSLEY: By consulting the act I could give the definition, but I believe the question is not a practical one, because since 1932 there have been no family corporations. They are not permitted to operate as family corporations. This is just a relic of the state of the law before 1932.

Mr. CASTLEDEN: Could not the date be brought forward one year to make it December 31, 1941?

Mr. HANSON (York-Sunbury): Why?

Mr. ILSLEY: So far as I know there would be no advantage to anyone in doing that.

Mr. HANSON (York-Sunbury): And it would only disturb them.

Mr. ILSLEY: This gives them a reasonable time. When they distribute these dividends they are not taxable.

Resolution agreed to.

14. That the act be amended to prevent evasion by giving power to the treasury board to direct that a taxpayer be assessed without regard to any transaction or reorganization which in the opinion of the treasury board, is of a specious character designed to avoid or minimize tax, whether any such transaction or reorganization was entered into with persons or corporations resident outside or within Canada.

Mr. HANSON (York-Sunbury): I suggest the minister might unbosom himself with regard to this resolution, and tell us what he is driving at, and the evil he is trying to correct.

Mr. ILSLEY: If I could remember the details of some of the transactions covered by this section I would relate them to the committee. The devices resorted to are simply fascinating. But what I had intended to say was that the committee will understand that

with the very much higher rates of taxes in force, and particularly in view of the heavy excess profits tax rate, the incentive to evade or to avoid taxes is much greater than it would be under lighter taxation. In view of this fact the government have deemed it necessary to take power to deal effectively with such matters in order to prevent revenues from being undermined.

The committee will recall that the act at present contains a provision which empowers the treasury board to rule that any specious transactions entered into by a resident of Canada with persons resident outside Canada shall be disregarded for taxation purposes. The present resolution extends this power to cover such transactions within Canada.

I am free to admit that this is a rather wide power being given to the treasury board, but we propose to permit appeals to the exchequer court of Canada from the rulings of the treasury board. Perhaps under present conditions the ordinary objections have not as much force as they might have under other conditions.

I am informed there is a section somewhat similar to this one in the English legislation, but I am not making any undertaking in respect of that similarity.

Mr. HANSON (York-Sunbury): If I understand rightly, the minister is trying to get ahead of the high-powered lawyers who are always seeking to evade the act. There are such things as high-powered lawyers who are always trying to think up ways and means to get round the income tax. That is a perfectly legitimate transaction and occupation. Anything which is not against the law with regard to taxation is a legitimate operation, and I could refer hon. members to legal decisions bearing out that principle.

Of course this resolution is designed to give very wide powers to the treasury board, and if it is not exercised with judicial discretion it may do a great deal of harm. I am not going to object to it. I think it is a proper procedure to take, but the power ought to be exercised with the greatest of care.

Mr. ILSLEY: Yes, it will have to be.

Mr. ABBOTT: The Minister of Finance has said that the ruling of the treasury board would be subject to appeal to the exchequer court. Will it be subject to appeal on the same conditions as the present section 32A, that is that the exchequer court will not be bound by any finding of fact or ruling of the treasury board? That is of importance, because these transactions obviously involve questions of law and fact.

Mr. ILSLEY: We do not propose to change the wording of the present appeal section. We propose to extend the provisions of the first part of the section, but the second part will be worded as at present.

Mr. EDWARDS: Who composes the treasury board referred to in the resolution?

Mr. ILSLEY: The treasury board is a committee of the cabinet consisting of six ministers, the Minister of Finance being the chairman.

Mr. EDWARDS: The treasury board as such is not referred to in the Income War Tax Act; all reference is to the minister.

Mr. ILSLEY: The treasury board is constituted by an act of parliament, so it has a precise meaning.

Mr. ADAMSON: I am thinking of how this will alter sections 32A and 32B, which deal with the distribution of assets. I am thinking particularly of the Reid-Authier mines case in connection with which there was considerable discussion. How would this affect the distribution of assets by a holding company?

Mr. ILSLEY: This would not touch such a case at all. This has no reference to that section.

Mr. ADAMSON: It would have no bearing on a case like that?

Mr. ILSLEY: It certainly is not designed for that purpose.

Mr. ADAMSON: That is all I wanted to know. It was not designed to upset the present agreement?

Mr. ILSLEY: Oh, no.

Mr. HANSON (York-Sunbury): I suppose anyone interested would have the right to appear before the treasury board to argue his case, or would the case be decided ex parte on the application of the department?

Mr. ILSLEY: No. One hearing has been held under section 32A and great care was taken, under instructions from the present Minister of National Defence (Mr. Ralston), who was then Minister of Finance, to see that notice was given to the persons interested, giving them the fullest opportunity to appear, either with or without counsel. As a matter of fact, there was a hearing in which the parties appeared without counsel. Evidence was taken and I think the matter was later settled. I do not think the treasury board made a ruling, but the matter was dealt with in a judicial way, at least so far as form was concerned.

Mr. SLAGHT: The minister has indicated that these onerous duties are to be placed upon the treasury board. In these days when the cabinet are so tremendously occupied with war measures, does he not think it would be better to constitute a treasury board made up of personnel other than members of the cabinet? We have been told that there are multiple transactions which may have to be reviewed, and I was wondering if the minister could tell us whether this matter had been considered and if it was thought to be fair to put the burden of delving into contracts and so on upon the cabinet of the present day.

Mr. ILSLEY: I expect and hope that under this resolution there will be very few hearings. The resolution of itself will not impose greatly added burdens upon the treasury board. With regard to the treasury board's duties generally, I do not think any consideration has been given to amending the treasury board act. It has always been taken for granted that the treasury board could not consist of anything but ministers, because they have to take the responsibility for matters which are peculiarly the responsibility of the government itself. However, it may be that we have taken too much for granted and that there can be some delegation of responsibility. That would involve amendment to a different act altogether.

Mr. SLAGHT: It was not my view that the duties just defined should be interfered with. My thought was that it might be worth while considering whether purely semi-judicial duties such as this resolution imposes and which could be—I say this without disrespect—performed just as well by a small board of judges, should be imposed upon six members of the cabinet.

Mr. HANSON (York-Sunbury): There is a good deal in what the hon. gentleman has said with respect to the present time, but under ordinary circumstances the treasury board would be the proper body to consider this matter. I can tell the hon. member that it is seldom that all six members are present; they are generally satisfied if they can get a quorum. They have many duties to perform, but hearings under this resolution will not happen very often. If there were not a body to which these matters could be referred, such as the treasury board, a body which must assume responsibility, then another body would have to be set up which might not have the same responsibility. I am all for the minister in this thing, but I do hope there will not be too many cases.

[Mr. Ilsley.]

Mr. EDWARDS: This is the first instance in the Income War Tax Act where reference is made to the treasury board; in all other cases the reference is to the minister. Why is the treasury board being interjected here?

Mr. ILSLEY: It is a great responsibility to upset one of these transactions, and this provides an additional safeguard to the taxpayer by having more than one minister pass upon the matter. I think it is just a little too important for the Minister of National Revenue to decide.

Mr. EDWARDS: Will there be an appeal from the decision of this board?

Mr. ILSLEY: Yes, to the exchequer court of Canada.

Mr. GRAHAM: This amendment is designed to deal with transactions designed to avoid or minimize the tax. Those words might easily give rise to an excellent argument, and I think the difficulties of the treasury board would be better met if the words "having the effect of" rather than the word "designed" were used, in which case intent would have to be proved.

Mr. ILSLEY: Oh, yes; it would never do to upset all transactions which have the effect of minimizing the tax.

Mr. GRAHAM: When the treasury board exercise the discretion they have under this resolution, you would not want to be placed under the duty of proving intent to minimize or avoid taxation. It would be better, in cases where you saw fit to exercise that discretion, to base your judgment on the much less onerous provision of having the effect of reducing or avoiding taxation.

Mr. ILSLEY: Here I take the side of the taxpayers. I think it would be entirely unfair to the taxpayers to amend the resolution as suggested by the hon. gentleman.

Mr. EDWARDS: Has the taxpayer the right to appear before the treasury board?

Mr. ILSLEY: I just dealt with that. There are no rules covering procedure, but in the one case that was heard great care was taken to see that the taxpayer had notice. He was given an opportunity of appearing, with counsel if he so desired.

Resolution agreed to.

15. That in order to prevent evasion the Minister of National Revenue (hereinafter called the minister) shall have power to determine what are reasonable disbursements for advertising, repairs, salaries and other operating and administrative expenses.

Mr. HANSON (York-Sunbury): I happen to be connected with a company which believes in judicious advertising in order to keep its

product before the country. I suggest to the minister that the proprietors or the sales force of a company would know more about its necessities in connection with advertising than a departmental official. I would hesitate to give any minister, no matter how much confidence I had in his integrity, the right to overrule the judgment of the executive or the board of directors of a reputable company.

This is a pretty large power which the minister is seeking. I assume that there must be a reason, and that the reason is that there has been some abuse. If that is not so, the minister ought not to take the power. Some companies, we know, get along very well without much advertising. Advertising is the lifeblood of other businesses. I hesitate to vest an arbitrary power in the minister, although I am sure he would attempt to be judicial in exercising it. There might be some tendency to overcharge with respect to salaries; perhaps that is the coloured gentleman in the wood-pile. But legitimate expenditures like advertising should not be curbed. The salary problem is quite another matter; one can understand where self-interest on the part of executives or proprietors might step in and affect the legitimate revenues of the crown. That would not happen very often in Canada. Such cases may arise across the line, where colossal salaries are paid to certain executives; the amounts are published every year by the income tax authorities, and they certainly astonish poor, lowly, meek Canadians when they read about them in the newspapers. I think the minister ought to give some reason for asking this power.

Mr. SLAGHT: Apropos of the same line of thought, before the minister deals with the point raised by the hon. gentleman, I suggest that repairs are, even more than advertising, a type of expenditure which ought not to be lightly interfered with. "Repairs," if properly interpreted, would not include the expansion or doubling of a plant, a capital investment which should perhaps be controlled. But it seems to me that if bona fide repairs are determined upon by the executives of a corporation, their decision should be supreme and should not be subject to departmental interference. Such operations give employment and involve the purchasing of material, and from no point of view can I, although I say this with some diffidence, see any justification for interfering with an executive's decision in the matter of genuine repairs to a plant in a given year.

Mr. HANSON (York-Sunbury): I agree entirely.

Mr. ABBOTT: I would go a little further than my hon. friends the leader of the opposition and the member for Parry Sound. This resolution goes a very long way and covers not only salary but "other operating and administrative expenses." That is pretty nearly all-comprehensive. The minister and the department may virtually tell you how much you should spend on your business. I realize that it may be necessary to have ministerial decision as to whether expenses of this kind are exaggerated, but I submit that this decision should be subject to review on appeal to the exchequer court; and that is not the case under subsection 2 of section 6 of the act, which this resolution is intended to provide for amending. I humbly suggest that if these wide powers are given to the minister and the departmental officers, there should be an appeal to the exchequer court and that that court should be in a position to review the finding of the minister on that particular point.

There are other examples in the act. The minister is given absolute discretion to provide what amount of interest should be paid on money, and there is no right of appeal.

In this case the minister is taking upon himself to determine what are the fair administrative and operating expenses of the taxpayer. With departmental discretion of that kind, there should at least be an appeal from his decision to the exchequer court, which is set up for that purpose, and the exchequer court should not be bound by the exercise of the minister's discretion. As hon. members who are of the legal profession know, where a discretion is given and it is exercised bona fide and without ulterior motives, the courts are bound by that finding; and I believe this is not a case where the minister or the department should be given an absolute discretion.

Mr. KINLEY: It seems to me that business in this country would just as soon trust the minister without appeal to the courts, because it is in just those proceedings that expenses begin.

Mr. ABBOTT: They can accept the minister's decision. They do not have to go to the courts.

Mr. KINLEY: In other words, business likes to be kept free from litigation as far as it can.

With regard to repairs, the question is, what are genuine repairs? A concern might include under "repairs" projects which should be regarded as capital expenditures, and somebody should be empowered to determine when they are overstepping the mark. This resolution deals with what is an open door for

iniquity as far as corporations are concerned, because big business can, by allowing excessive salaries, expenses, repairs, and other such outlays, present a statement which does not show much profit. As regards advertising, it may be said that many articles which are nationally known are sold through their advertising appeal, and a big item for advertising is needed to promote sales.

It seems to me that if people want to be fair they may safely trust the national revenue experts. I have no doubt that they will act prudently and adequately. As regards the business profits tax, for instance, it is based on three normal years; the profits in a normal period are the basis of taxation. I have no doubt that under this resolution the minister will decide that his basis for computation will be expenses in a normal year. I do not believe that anyone will be hurt by these provisions. I am sure that this is a place where one must keep the door shut if you are to get from excess profits all the taxes to which the government is entitled under this law and in this critical time.

Mr. ILSLEY: The hon. member for Queens-Lunenburg has very well expressed what I had in my own mind. It must be remembered that after the proposed changes in rates are effected, the corporation tax will be at least thirty per cent. If it happens that the crown taxes seventy-five per cent of the excess, because that is more than the thirty per cent rate, the company will pay to the government seventy-five per cent of the last dollar earned.

Mr. HANSON (York-Sunbury): Of the excess.

Mr. ILSLEY: The last dollar earned is correct, because there is an excess there by hypothesis, seventy-five per cent of which is taken by the government. The incentive to keep that down to the lowest possible amount is going to be terrific by reason of the fact that the rate is so high. I do not know what can be done, but I have understood that businesses may spend sums for repairs which are excessive having regard to the reasonable requirements of the enterprise. They may not be able to effect replacement of machinery entirely, but I have heard persons discussing what can be done in the way of spending a great deal of money on repairs in a particular year.

The same thing can be done in advertising if they wish to do it, and it is worth while to spend a great deal in advertising and to take a chance if you are going to pay seventy-five per cent of the excess to the government anyway.

The same thing applies to salaries. We have had instances repeatedly in the administration of the Income War Tax Act where companies headed for a big profit had paid as much as they possibly dared to pay in salaries to members of the family in order to keep the profit down.

With these high rates it is essential that there shall be some undoubted power of control over business. I am talking as if business were out to get ahead of the government, but that is not so except with regard to a very small minority of businesses, and it is with regard to that small minority that we have to legislate. That is the reason for this provision. I am not sure whether the appeal provisions of the Income War Tax Act do not apply to this now. The hon. member for St. Antoine-Westmount would know better about that than I do. I was under the impression that if we incorporated into the Excess Profits Tax Act the sections which we propose to incorporate from the Income War Tax Act, these provisions would relate to appeals from decisions by the minister. Perhaps I am wrong about that. There is no objection to an appeal, but I do not know that it is necessary. The minister will have to exercise his responsibility very carefully and reasonably in this matter.

Mr. HANSON (York-Sunbury): It will be a judicial function.

Mr. ILSLEY: Yes. The minister has discretionary powers greater than those contained in the act now—a great many of them—and far less to guide him than there will be here, because there will be some sort of standard as to what it is proper to spend for repairs, advertising, salaries and so on. We shall have the history of the company before us.

Mr. HANSON (York-Sunbury): With respect to salaries, the position is not quite as bad as the minister would suggest, because the salary itself, in the hands of the recipient, would pay a personal income tax in addition to any other income that the recipient might have. He will save some but he will pay more too.

I hesitate to suggest that this is too much power to place in the hands of the minister. I do not think that business in this country is as bad as some people would suggest. Repairs are repairs, as the hon. member for Parry Sound has said, and new capital expenditure is capital expenditure. It is an accounting problem, a matter of fact to be established in each case, and the department has a right to look into it. In fact, it does look into it to see whether, to-day, capital expenditure is mixed up with legitimate maintenance. That

is the proper expression, legitimate maintenance. I should prefer not to give such wide powers to the minister.

As the hon. member for St. Antoine-Westmount has properly pointed out, the remaining words in the section are a catch-all that might cover almost anything. I was concerned only with the question of advertising. What standard would the minister have to go on with regard to advertising? Some products sell without advertising at all; other products have to be largely advertised. I remember an old friend telling me that Pears soap was not nearly as good as plenty of other soaps, but the manufacturers had such a wonderful method of advertising fifty or seventy-five years ago that it sold the product. And it was expensive advertising. G.B. chocolates are good chocolates, but they have to meet a great deal of competition and therefore have to be widely advertised and kept before the public. There are all sorts of display advertisements, new forms of advertising, apart altogether from national newspaper advertising.

I should not like to see the minister clamp down upon a board of directors and, because they were allocating $50,000 this year to advertising as compared with $30,000 last year, or $100,000 this year as against $50,000 last year, declare that they were endeavouring to beat the revenues of the country. What they are endeavouring to do is to increase sales by legitimate advertising and they should not be penalized. However, if the minister is going to do it, I hope he will make provision for adequate appeal.

Mr. ILSLEY: I will give consideration to that.

Mr. ABBOTT: If there is to be an appeal, if it is clear that there is an appeal from the minister's decision, I am entirely satisfied with the resolution; otherwise I am not. After all, the Department of National Revenue is collecting the tax, and if it is to be both tax collector and the person who decides whether the tax is payable or not, that is an unsound principle. I cannot see any reason why the act should not provide for an appeal to the exchequer court. I have no doubt that the appeal would be taken only on rare occasions; in nine cases out of ten the minister's decision would be accepted as equitable. In the tenth case, however, the taxpayer has the right to go to the exchequer court, which is the court set up for such purposes. With all confidence in the officers of the department, I suggest that a provision for appeal would be an effective safeguard to ensure that they would exercise their discretionery powers judicially.

Mr. ADAMSON: I suggest to the minister and the hon. member (Mr. Abbott) that possibly there might be a referee clause. Some referee in the form of the Society of Chartered Accountants or the Canadian Society of Actuaries might be used in this connection. They would be a better judge than possibly the minister. These are extremely wide powers to be given the minister, who, as the hon. member has said, will be the judge in his own case. He will be collecting the tax and unquestionably he will be liable to be the judge in his own case. I suggest that the Canadian people have the utmost confidence in the Society of Chartered Accountants and the Canadian Society of Actuaries, and some method might be devised of having them act as referee in cases of this kind, by using these two societies.

Mr. ILSLEY: On the question of appeal, I have looked at the appeal provisions in the Income War Tax Act and I find that the relevant sections are 58 and 66. Some other sections may be relevant, but I think not. Section 58 paragraph (i) reads:

> Any person who objects to the amount at which he is assessed, or who considers that he is not liable to taxation under this act, may personally or by his solicitor, within one month after the date of mailing of the notice of assessment provided for in section 54 of this act, serve a notice of appeal upon the minister.

That is the beginning of the appeal. Finally, if the appeal goes to the exchequer court, the exchequer court has certain jurisdiction; that is found in section 66, which reads:

> Subject to the provisions of this act, the exchequer court shall have exclusive jurisdiction to hear and determine all questions that may arise in connection with any assessment made under this act and in delivering judgment may make any order as to payment of any tax, interest or penalty or as to costs as to the said court may seem right and proper.

The only question in my mind—and it has arisen in the last few seconds—is whether the words "subject to the provisions of this act" cut down or limit in any way the jurisdiction of the exchequer court. If not, it would seem that the exchequer court has full power on appeal to pass on the propriety of appropriations for repairs, advertising, salaries or anything else. I think it has.

Mr. ABBOTT: This gives me concern because section 32A, which it is sought to amend under the provisions of resolution 14, subsection 2 specifically provides:

> In the case of any appeal from an assessment, the court shall have jurisdiction to review the ruling of the treasury board hereunder.

It specifically provides that the exchequer court shall have the right of review for the purpose of deciding whether a transaction is

undertaken in order to evade taxation. If it is necessary to put it in that section I think it is necessary to have it in here, where the minister is given the widest discretion. From the legal point of view I am afraid that the situation is that the exchequer court would decide that if the minister had exercised his discretion bona fide, it could not interfere with that discretion but could look only at the question whether there had been some defective legal procedure. It is important from the point of view of the taxpayer that he be satisfied that he is being dealt with fairly. That should be made perfectly clear, because nothing makes a man more dissatisfied than to think he is paying a tax when someone else is getting away without paying it. And that is the danger if you have a large number of departmental discretionary powers and no appeal.

Mr. HANSON (York-Sunbury): I agree with the remarks of the hon. gentleman. In the case of the exercise of judicial discretion by the minister, I do not say that the court of appeal could not allow the appeal, but under the practice they do not allow it unless there has been some excess of jurisdiction or something of that kind of a technical nature.

The hon. member for St. Antoine-Westmount said something that I had it on the tip of my tongue to say but refrained from saying because I was afraid I might give offence to the minister. Here is a case where the minister is not only the taxing authority but the judge too, the judge of his own case. The principle is absolutely bad. A conviction in a criminal court could be upset in a situation like that. It is a most extraordinary power for the minister to assume. I am not questioning that there are other and greater powers given to the minister by the statute, but if they violate this principle it is wrong. The minister at least ought to make certain that there is an appeal. I am sure the commissioner knows whether under section 66 there is anything which would prevent an appeal from this proposed provision. Perhaps the minister might let this resolution stand until that position could be studied. We do not want any injustice done. He might also look into the principle to which the hon. member for St. Antoine-Westmount has alluded with, shall I say, the frankness of youth, and which he has stated very well indeed. The minister might let this resolution stand until to-morrow, and in the meantime he and the departmental officials can confer and reach a just conclusion. It is a wide power. I do not think there would be any intention to pad accounts or spend money for unnecessary repairs rather than have the government get it, or to pay out more money in advertising than should be done. Legitimate business people do not do that sort of thing in peace time, let alone in war time. I suggest that the minister let this resolution stand for twenty-four hours.

Mr. ILSLEY: When the bill is under consideration, would not that be a proper time for this resolution to be reconsidered? Then the committee would have before it the full provisions.

Mr. HANSON (York-Sunbury): Perhaps the minister is right. He is wiser than I.

Mr. ILSLEY: I dread making changes in the appeal provisions of this act. Every section in which we give a specific appeal to the exchequer court gives rise to just the argument made by the hon. member for St. Antoine-Westmount, that the court has not jurisdiction in respect of appeals under other sections. I have no objection to there being an appeal.

Mr. HANSON (York-Sunbury): If the minister wants to go on now and take the matter up when the bill is under consideration, I am satisfied. With respect to appeals, I do not think appeals should be limited to specific sections; there should be some general right of appeal to the exchequer court.

Mr. ILSLEY: Well there is; section 66 gives it.

Mr. HANSON (York-Sunbury): I suggest not, in view of what the minister said. He knows much more about the act than I do. Section 66 has an overriding proviso, "subject to the provisions of this act." Of course one has to look at every section that deals with questions of this kind in order to see whether in the very first instance there is an appeal. If the minister would strike out these first words, it would simplify the matter.

Mr. ILSLEY: I will consider that.

Mr. KINLEY: The former Minister of Finance (Mr. Ralston) in his budget speech said, as reported on page 1023 of *Hansard*:

> To assist in carrying out these provisions fairly and realistically, the appointment of a board of referees will be proposed.

That relates to the excess profits tax, but it is all the same thing; expenses are an item in arriving at excess profits.

Mr. ILSLEY: That board of referees, under the draft bill which will be placed before the house, has limited powers. I am not sure at the moment whether they would have the powers which the hon. gentleman suggests.

Mr. ADAMSON: I suggest that a board of referees would create greater confidence in the administration of this clause, and, second, would relieve the treasury board, certainly in the preliminary stages, of a great deal of perhaps unnecessary work. If these matters could be referred to a board of referees, probably in most instances the company would accept their judgment without taking the time of the treasury board, which is going to be extremely busy in the months to come. I think it would make it much more flexible if some such provision were inserted.

Mr. ILSLEY: These matters would not go to the treasury board.

Mr. EDWARDS: To my way of thinking one of the most objectionable features of this resolution is that the minister is not only the collecting authority but also the judge. He makes his finding but he gives no reasons, nor is he obliged to do so. There is no yardstick which the taxpayer knows is applied to his particular case. I have in mind one business which the proprietor had incorporated. During the first year, as he reasonably expected, profits were practically negligible. A very modest salary, less than $100 a month, was all the business would stand. In the second year business improved materially, and naturally the man felt quite justified in voting himself a respectable salary, which he set up in his corporate returns. But he found that the additional sum over and above what he voted himself the first year was all surcharged back against this company. An appeal was launched to the minister. No reasons were given; no one investigated the books; no one inquired into the circumstances. All that was received was a categorical denial of the appeal.

The offensive part of the whole thing is that there is nothing by which the fairness or otherwise of these charges may be measured by the minister. It is most disturbing to a man who has made his business a life study to be told at the end of the year, after having voted himself $3,000 where he only took $1,000 the year before, that the government is going to charge back that additional $2,000 against the company.

Mr. ILSLEY: I should like to say just a word about the matter mentioned by the hon. gentleman. I am told that in western Canada there are experts in income tax law who advise that in a case such as that stated by the hon. gentleman, the case of the proprietor of an incorporated business who owns the business himself, the proprietor has the right to fix his salary at the amount of the profit of the business. That theory is firmly held by a certain circle, and in the administration of the income tax law we have had considerable difficulty in combating that theory.

Let me put the case clearly before the committee. It may not be worth the time, but perhaps it is. The theory is based upon the fact that the man is the sole proprietor of the business. For instance, he incorporates to sell cars; he is a dealer in cars and he makes a profit of $15,000 a year. The argument is that from the very facts of the case he is worth $15,000. Did he not earn $15,000? He, the sole proprietor of the business, made $15,000 and therefore he has the right to pay himself that amount.

Mr. HANSON (York-Sunbury): Therefore the company would not pay anything.

Mr. ILSLEY: On that theory the company never would pay anything. The income tax division has taken the view that the sole proprietor of a business cannot, *ex post facto*, when he finds out how much he is going to make, fix his salary at the total profits of the enterprise.

The hon. gentleman says that no investigation is made and that no reasons are given. As Minister of National Revenue I have signed hundreds of these decisions, not dealing with this particular question, and I have signed a great many decisions with regard to this fixing of salaries. My recollection is that there are always reasons, perhaps not expressed as fully as they might be, but at least reasons in all the decisions handed down by the minister. Obviously it is not possible for the minister himself to go and investigate the business, but the inspector of income tax, who is on the ground, gives his reasons why he thinks a salary should not be more than a certain amount. I can remember some of the reasons given, although I shall not waste the time of the committee by going into them to-night. What I really wanted to do was disabuse the minds of hon. members of any idea that there was an arbitrary, unreasoning administration of the Income War Tax Act, such as I am afraid the remarks of the hon. member for Calgary West might lead the committee to believe.

Mr. TUSTIN: Is the report of the income tax inspector always taken by the minister?

Mr. ILSLEY: No.

Mr. TUSTIN: Does he give his reasons, and then does the minister sign on that ground?

Mr. ILSLEY: Oh, no. They are reviewed by the commissioner before they come to the minister.

Mr. HANSON (York-Sunbury): Reasons are not obligatory, are they?

Mr. ILSLEY: I do not think so.

Mr. HANSON (York-Sunbury): I can tell the minister the genesis of this sort of thing. It was right in the Customs Act. I do not know if the minister has ever had any experience with that—

Mr. ILSLEY: Haven't I?

Mr. HANSON (York-Sunbury): I mean in connection with claims under that act. I had some experience along that line in days gone by, although not in recent years. I remember one case in which we were asked to put up $100,000 before certain machines could be released, machines which had been undervalued by the manufacturer, who delivered them duty paid in Canada. I told the proprietor not to put up that sum of money, and we came to Ottawa. We managed to get the amount of the deposit reduced to $30,000, and I told the proprietor then that he could say good-bye to his money. It took about a year to reach a decision in connection with the transaction. The department admitted that there was no fault on the part of the importer except that perhaps he had been a little negligent in not seeing that the goods in question had been entered at the proper valuation. But there was no collusion; the other man had simply pocketed the difference. But there was not one word of reason given us, and we never got back the $30,000.

This procedure is a survival of that followed by the department under the Customs Act. The case mentioned by the hon. member for Calgary West seems to me extreme. I cannot conceive that this department would operate on that basis, although no doubt the hon. member must have had some grounds for the statement he made. I should like to point out to the minister, however, that if the department did not obtain taxation from the company on the basis of the corporate tax, the department would get taxation from the individual recipient of the $15,000 on the basis of personal income tax, so that the crown is not suffering.

Mr. ILSLEY: Oh, yes.

Mr. HANSON (York-Sunbury): Not very much. The trouble with the income tax branch in days gone by, and I think at the present time, is that it endeavours to collect double taxation, not in a case like this but in the case of the corporate tax and the dividend in the hands of an individual. I well remember when that matter was brought up about—

Mr. ILSLEY: In 1926.

[Mr. Ilsley.]

Mr. HANSON (York-Sunbury): Yes, about fifteen years ago, I think when Mr. Euler was Minister of Customs administering this act. I tried in my feeble way to point out to him the iniquity of that sort of double taxation, but without effect. The case of the $15,000 transaction is not nearly as bad as the minister suggests; there is a good deal to be said for it. Of course I can conceive that in a given case it might be a sharper transaction to take the money out. The crown is not suffering much. Certain exemptions would offset it in one case and would not in the other; but it is not by any means a one-sided story. There is something to be said for the other side.

Mr. EDWARDS: The exemption to which I referred was an actual circumstance.

Mr. TUSTIN: A minute ago I asked the minister where he got the evidence, and he told me the minister signed these orders after the commissioner had reviewed the cases. I would ask this question: Where do the commissioners get their information or evidence? Do they get it from the inspector of income tax?

Mr. ILSLEY: From the district inspectors.

Resolution agreed to.

16. That the amount paid by proprietors of a business, other than a corporation, by virtue of the Excess Profits Tax Act shall be allowed as a deduction from their incomes for purposes of income tax in proportion to their interests in the said business.

Mr. HANSON (York-Sunbury): What is intended there?

Mr. ILSLEY: This is a difficult matter to explain. It has to be taken in conjunction with the provisions of the Excess Profits Tax Act, which are dealt with in subsequent resolutions. But the effect of this resolution is to make, in the case of individual persons in business—either alone or in partnership with other persons—the tax paid under the Excess Profits Tax Act the first tax, not the second tax; and to allow that as a deduction from their income for the purpose of computing the income tax.

Mr. HANSON (York-Sunbury): As individuals.

Mr. ILSLEY: Yes, as individuals.

It is based upon the theory that so far as individuals are concerned, as distinct from corporations, the income tax payable by them is a personal tax. It is a tax on their personal income; it is not a business tax. Therefore it would be less proper to regard the income tax on the profits of business as the first tax, and allow that as a deduction from the

profits for the purposes of the Excess Profits Tax Act. I said it was a difficult matter to explain, and in this explanation I believe I am proving it.

Mr. HANSON (York-Sunbury): It is quite the reversal of the standard position.

Mr. ILSLEY: This is, I think, the standard position in reference to the individual income tax. But we shall find that the position is exactly reversed in regard to the corporation tax, when we come to the Excess Profits Tax Act provisions relating to corporations. I anticipated I would have difficulty in explaining to the house, when questioned, why we approached it from one end in regard to the corporation income tax, and from the other end in respect of the individual tax from the business.

Mr. HANSON (York-Sunbury): I am now asking the minister why that was done. What was the operation?

Mr. ILSLEY: In view of the fact that I have been giving the reasons—

Mr. HANSON (York-Sunbury): As I understand it, the minister has been giving the method, not the reasons.

Mr. ILSLEY: The reason is this, that the income tax is a personal tax. It is imposed on a person, individual, proprietor or partner. Therefore the excess profits tax paid is to be deducted from the individual income as a business expense, before imposing the graduated personal rates. This is analogous to the corporation paying its excess profits tax and then distributing to its shareholders what is left for personal taxation to them.

Mr. HANSON (York-Sunbury): I shall read that to-morrow.

Mr. ILSLEY: I would suggest that we might all call the income tax on corporations not an income tax but a profits tax, or a corporation profits tax. We might perhaps think of it as that, and the tax on individuals as an income tax. Then, in arriving at the income tax, one would see that if the individual derived part of his income from a business, what he had to pay out of that business in excess profits tax should be deducted from his income before he made up the personal income tax he has to make later on.

In regard to corporations, however, I do not think it makes much difference. But it is more convenient, for certain reasons which I am afraid I cannot give at this time, in the case of the corporation profits tax, if we may call it that, to take first the tax paid under the income tax, and pay the excess profits tax on the remainder.

Mr. HANSON (York-Sunbury): What effect will it have on the quantum of the tax?

Mr. ILSLEY: I do not think it will make any difference at all.

Mr. KINLEY: I should like to ask a question for the information of people connected with smaller businesses throughout the country. At page 1023 of *Hansard* I find this, respecting the Excess Profits Tax Act:

> 5. The tax will not apply to businesses whose profits are not in excess of $5,000, and allowance will be made for drawings in lieu of salaries not in excess of $5,000 by sole proprietors or partners.

That means that a small business in the country which did not have profits in excess of $5,000 would be exempt from the excess profits tax?

Mr. ILSLEY: That is correct.

Resolution agreed to.

> 17. (1) That the definition of income be clarified and extended to cover the amount of annuity payments made to life annuitants under purchased annuity contracts.
>
> (2) That the exemption now accorded to dominion government annuities and like annuities sold by provincial governments and insurance companies shall not apply in respect of all contracts issued subsequent to June 24, 1940, nor to contracts or extensions of contracts made since that date to holders of options or contractual rights in existence at that date.
>
> (3) The purchasers of annuities be entitled to deduct the annual amounts paid out by them in purchasing annuity contracts not to exceed $300 per year.

Mr. ILSLEY: Before discussion begins I would ask my colleague the Minister of Trade and Commerce (Mr. MacKinnon) to move that paragraph 3 of resolution 17 be struck out.

Mr. MacKINNON (Edmonton West): I so move.

Mr. ILSLEY: Perhaps I may say a word about this resolution. The first part of it, that is 17 (1), will clarify the definition of income under the Income War Tax Act, and will bring under tax life annuities. Resolution 17 (2) withdraws the $1,200 exempted in respect of annuity contracts issued after June 24, 1940, and all new contracts or extensions of contracts since that date. It is not proposed to withdraw the exemptions of $5,000 and $1,200 which now exist in respect of certain annuities purchased prior to June 24, 1940.

Mr. HANSON (York-Sunbury): It refers only to new contracts.

Mr. ILSLEY: Yes, and extensions of existing contracts. Contracts are sold under which

the purchaser has the right to increase the amount of the contract at the same rate. After this he will not have that right.

Mr. HANSON (York-Sunbury): He is not going to suffer in his present position, with that exception?

Mr. ILSLEY: That is so.

Amendment agreed to.

The CHAIRMAN: We shall now consider the section as amended.

Mr. JACKMAN: Would the minister clarify what is meant by the taking away of the right to income tax exemption from holders of contractual rights which were in existence on June 24? If I understand him correctly, all people who had taken out dominion government annuities, and perhaps other annuities, on the understanding that they would not have to pay income tax when they became operative, have had that right taken away. Many thousands of our citizens are paying in so much a year, perhaps $300 or $400, on annuities so that when they reach a certain age, say fifty or sixty, they will have a $1,200 income. The understanding was that this income would be tax free as it is stated in the contract, "Income derived from this contract is exempt from dominion government income tax." Is it the intention of the government to repudiate its contract in connection with all these annuities?

Mr. ILSLEY: If an annuity was purchased before June 24, 1940, whether it contained that clause or not, it is provided that such annuity will be free from income tax. But any annuity purchased after June 24, 1940, will be subject to income tax.

Mr. JACKMAN: The resolution reads, "to holders of options or contractual rights." A great many people purchasing annuities do not receive any income from them at the present time; they have only what one might term options or contractual rights.

Mr. ILSLEY: If an option to purchase a further annuity is exercised, it will not be free from income tax. To that extent the provisions of the contracts are altered by this legislation. A purchaser may pay in a very small sum, say one dollar, for an annuity. The annuity purchased will be tiny, but the contract probably contains a clause such as is generally inserted in contracts of that kind entitling the holder at any time in the future to purchase a larger contract at the same rate and on the same terms. If he does that, he will have to pay income tax on the larger annuity which he purchases after June 24, 1940. He will not be able to escape income tax on that.

Mr. JACKMAN: If a husband and wife are paying $300 or $400 on a contract under which they are to receive an annuity at the age of sixty-five, perhaps twenty years hence, will that annuity be taxable? They are putting by so much every year with which to buy an annuity. It is really something in the nature of a contractual right. When that right becomes operative, will the $1,200 annuity be free of tax?

Mr. ILSLEY: It will be free of tax if they are paying on a $1,200 annuity; if they are paying on a $200 annuity, and later increase it to $1,200, they will have to pay income tax on the other $1,000.

Mr. JACKMAN: A great many of these annuities have been sold on the understanding that no income tax would be payable. A man could pay in only one dollar, as the minister has suggested, and then increase the annuity. If the clause stating that such annuity will be free from income tax does not appear in the contract itself, it certainly did appear in some of the printed matter produced by the agent when the annuity was sold. I am not holding a brief for any person who pays in a nominal sum in order to obtain a larger annuity later on, but the fact is that government agents did tell these people that if they took out small contracts they had the right to increase them up to a maximum of $1,200.

Mr. ILSLEY: I admit that has been taken away.

Mr. ADAMSON: A contract for $1,200 in force would be still free from income tax?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): What is intended by the first clause of the resolution?

Mr. ILSLEY: Insurance which is payable by way of annuity has been held to be not taxable as income; this makes it taxable as income.

Mr. HANSON (York-Sunbury): I must congratulate the minister upon obscuring his intentions by the language of his resolution; no one could understand the resolution itself.

Mr. ILSLEY: I have made it clear now.

Mr. HANSON (York-Sunbury): The minister certainly has. I think we ought to have further consideration of that point. Where a man entered into a contract to purchase insurance to be payable in instalments, the equivalent of an annuity, the law of this country has been that such payments are free

from income tax. The government is now going to tax these payments, so why not say so?

Mr. ILSLEY: I did say so.

Mr. HANSON (York-Sunbury): It does not say so in the resolution. It is absolutely misleading. There is no credit reflected upon the government for bringing out the resolution in that way. That clause would have slipped through if I had not asked about it because no one would have understood what it is about.

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): The minister did not volunteer anything. I do not want to impute motives, but that is the case.

Mr. ILSLEY: Nothing could be clearer than that section. Let me read it and then ask my hon. friend frankly whether it is not perfectly clear. It reads:

That the definition of income be clarified and extended to cover the amount of annuity payments made to life annuitants under purchased annuity contracts.

That is clear; there is no evasion there. I was clear in my explanation also.

Mr. HANSON (York-Sunbury): The first part is not clear to me.

Mr. ILSLEY: With regard to the policy of doing that, may I say that there is no justification for putting annuities from life insurance contracts in a position different from that of other annuities. Whether annuities should be taxable as income is a broad question. By this amendment to the act we are adopting the principle which has been uniformly applied in England. They regard an annuity as income, as a flow of income to the person and not a return of capital. The contrary principle is adopted by the United States. This government had to take the responsibility of deciding which principle it would adopt, and the decision has been to adopt the British principle. It would be idle for me to say that there are not excellent grounds for taking the other view, and excellent grounds for taking this view. There are reams of decisions and many pages containing argument of counsel and opinions of judges in connection with this question. We have now brought our law consistently into line with the English theory that an annuity is income.

Mr. ADAMSON: The minister has said that rights already in existence will not be abrogated?

Mr. ILSLEY: Yes.

Mr. ADAMSON: Will annuities up to $1,200 still be tax free?

Mr. ILSLEY: Those already bought.

Mr. ADAMSON: Will they also be tax free with regard to the national defence tax?

Mr. ILSLEY: Yes, that is true. It is the same definition of income.

Mr. GREEN: What will be the position in the case of an insurance policy made payable to a named beneficiary who then elects to take payment by yearly or monthly payments? Will they be subject to income tax?

Mr. ILSLEY: If he has a right to elect to take his insurance in yearly payments for his life, so that it is a life annuity, he will then have an annuity and he will be taxable. He will be electing to take income.

Mr. GREEN: I have more particularly in mind the case of a widow.

Mr. ILSLEY: It does not make any difference. It does not depend on who it is. It depends on whether it is a life annuity.

Mr. GREEN. If it were taken over, say fifteen years, it would not be subject to tax? It is only in the case of the proceeds being payable on a life basis?

Mr. ILSLEY: That is correct. That is just where the line is drawn.

Mr. HOMUTH: But it actually is a tax on the return of capital, is it not?

Mr. ILSLEY: I do not think we had better get into that argument.

Mr. HANSON (York-Sunbury): It is just the one I was about to advance. It is a tax on the return of capital. If I buy from an insurance company a policy on which I have an option of taking either a certain cash return or a life income, it is part of my capital which is going into that annuity, and the minister is taking it as an income, arbitrarily. Well, if you need the money I suppose that sort of thing is justified, but it seems to me that, ethically, it is not the right thing to do.

Mr. ILSLEY: I cannot say more than I said. I said there are good grounds for two views not only for the view held by the hon. gentleman but also for the contrary view; and if I had time and the committee wanted it, I could bring the English cases and argue for hours that this is in true essence income and not capital. The Americans take one view and the English another.

Mr. HOMUTH: Will not a clause like this one have this tendency? People who have saved up twenty, twenty-five or thirty thousand dollars now say, "The best thing I can do is, buy an annuity," and they do so in the belief that the money they have saved is in a safe place and that so long as they live they are

going to get a certain income. Had they left that money in the bank, all that would have been taxable would have been the earnings; but now the government is going to tax the capital itself, people will say, "I won't buy an annuity, but I can buy certain life insurance."

Mr. ROWE: It is taxable too.

Mr. HOMUTH: No, not unless it is in the form of an annuity. They can buy certain life insurance, and at the expiration of a certain number of years they will get the money back. And it is not taxable.

Mr. ILSLEY: Well, there may be that tendency.

Mr. CASSELMAN (Grenville-Dundas): May I ask the minister to elaborate what he said a few moments ago. Take an insurance policy payable for ten years certain or for life; in which class would that come? The company guarantees it for ten years sure.

Mr. ILSLEY: That is an annuity.

Mr. CASSELMAN (Edmonton East): That is a life annuity?

Mr. ILSLEY: Yes.

Resolution agreed to.

18. (1) That in addition to the income tax there be imposed a national defence tax on all persons in respect of their income,

(a) in the case of married persons, of two per centum on the total net income if the income exceeds $1,200 per year;

(b) in the case of single persons, of two per centum on the total net income if the income exceeds $600 and does not exceed $1,200 per year; or three per centum if the said income exceeds $1,200 per year.

Provided, however, that if the effect of such tax would be to reduce the income of any person below the relevant amount specified above, then to the extent it would so reduce the income the tax shall not be exigible;

Provided. further, that there shall be allowed a tax credit on an amount of $400 at a rate equal to two per centum in respect of each dependent child or grandchild, brother or sister of the taxpayer under twenty-one years of age, and each child, grandchild, brother, sister, parent, or grandparent over twenty-one years of age dependent on account of mental or physical infirmity and resident in Canada.

Mr. TUSTIN: Under this paragraph an important question arises affecting persons in the constituency I have the honour to represent. Hundreds of people earn for a short period during the summer months at a rate of more than $600 a year. I refer particularly to seasonal workers in canning factories. They will be employed for from twelve to sixteen weeks. The owners of these factories know that these persons will not earn anywhere near $600 during the period they are at work. Perhaps I had better enlarge a little on the question and say that employees in a good many of these factories work overtime; that is, they may work at their jobs some time during the day and also go back to the factories in the evenings during a few weeks and work some hours overtime. In a good many instances they are paid piece rates. The question I wish to ask is, in what position are the employers of this seasonal labour as regards the collection of this two per cent national defence tax? I do not know whether the minister clearly understands what I am asking.

Mr. ILSLEY: I think so.

Mr. TUSTIN: Perhaps I might repeat that these employees earn for a short period a rate representing over $600 a year, but they do not begin to earn as much as $600 in the entire year.

Mr. ILSLEY: In that event it is the duty of the employer to deduct the tax, and if the employee at the end of the year has not earned as much as $600 he will receive a refund of the tax. For deduction purposes the overtime is not included. That is, the two per cent deduction is from the regular pay, not the pay plus overtime.

Mr. TUSTIN: I rather expected that answer from the minister, and again I want to draw to his attention this fact, that there are in this country thousands of such employees.

Mr. ROWE: Transient employees, such as apple pickers.

Mr. TUSTIN: I wonder whether the minister realizes the amount of work which will be required of his department in making refunds if all these persons make applications for refunds.

Mr. ILSLEY: Yes.

Mr. TUSTIN: A great many of them do no other than this seasonal work, and it is certain that they will not earn $600 a year. Of course I realize that someone must be responsible, but assuredly it will entail a greatly enlarged staff in the minister's department to look after the refunds which will be requested by seasonal workers in this particular industry.

Mr. ILSLEY: I know that the previous Minister of Finance worked for days trying to think of some way of avoiding the necessity of making refunds. The matter was discussed hour after hour and hour after hour; every alternative was canvassed; and we decided that we would be confronted with cases of such

glaring injustice if we adopted any alternative to the refund system, that we had to resort to that. No one knows better than the commissioner of income tax what he has to assume in the way of detailed work and the amount of work there is going to be. But there is nothing else to do, so far as we can find out.

Mr. HOMUTH: Do I understand from the minister that overtime is not subject to the two per cent tax?

Mr. ILSLEY: I did not say that. I said that it is not regarded for deduction purposes. The employer's obligation is to deduct two per cent from the regular pay only, not from overtime as well.

Mr. HOMUTH: A man works ten hours a day and is asked to work twelve hours a day. He is not charged a tax on the extra two hours?

Mr. ILSLEY: I may not have been strictly accurate in what I said. The regular pay is used for the purpose of deciding whether the taxpayer is taxable, and the deduction is then made from the whole of it.

Mr. MacINNIS: Yesterday evening and for a part of this afternoon and evening we have been discussing the tax to be paid by people receiving incomes of from $5,000 to $20,000 a year. There was a good deal of discussion as to how they could get along after having paid their income tax. We in this group take the position that it is not what an individual or a corporation pays that is of importance but what that individual or corporation has left after income tax is paid. In the first place we should, before we levy a tax of any kind, try to make sure that the person taxed is receiving sufficient income to provide a decent standard of living, an income which will at least furnish the decencies of ordinary life and make for healthy living. I submit that a single person receiving not more than $600 a year is not receiving an income that enables that person to live as a civilized human being and that a married couple, whether they have children or not, cannot live decently—and if they have children they cannot bring up a family under the conditions that prevail in Canada to-day—on $1,200 a year. The situation one finds here is so obvious that we should raise the exemption to $750 and to $1,500 respectively, as in the ordinary income tax schedules.

When speaking on the unemployment relief and agricultural assistance bill I made reference to a cost of living standard that was worked out after careful investigation by the welfare council of Toronto. That body came to the conclusion that the lowest weekly wage on which a married couple with three children could get along at all decently was $28.35, which amounts to $1,475.20 a year. The basis on which they worked out that cost of living standard is the lowest minimum on which a family can get along. The schedules are here, and I defy any member of this house to say that there is one item that is too high. I have the schedule for a working man's clothing for a year. The amount allowed is $64.81. That, the committee will agree, is a very modest amount, and a man would have to be very careful indeed to manage. He is allowed one suit of clothes in two years, and the price of that suit in the first place is only $16.95. He has to make a $16.95 suit do for two years. Once in a while he is supposed to get an overcoat. The price is $15 and he has to make it do for four years. He is allowed four neckties in a year. Possibly that may seem like a large number, but when the neckties cost only twenty-five cents apiece, it does not represent a very extravagant expenditure.

I submit that the first duty of the government is to see that the working people of Canada, those who produce the food, the munitions of war and all the necessities and luxuries of life, shall have a decent standard of living, wages sufficient to enable them to live in health and a certain amount of comfort. Unless we do that, there will be essential items of expenditure which the family cannot meet and which some governmental authority will have to look after. There will be sickness that someone will have to take care of, dental treatment and so on. If we take away any part of their small incomes, no matter how small the amount may be, we are depriving them of something that is sorely needed.

There is another point. I think it is well understood that people on a low wage are usually those who are not working steadily but are engaged in intermittent work. Take a family with $1,200 a year. The head is unemployed for three months or six months as the case may be—and during the last few years many have not been employed at all during the year. That means that there are house furnishings, clothing for the family which must be supplied. In order to keep going they get into debt. After getting work, the man must pay back debts and buy clothing, kitchen utensils, small furnishings and so on, which they had to forego when he was unemployed. Tax them ever so little and you are not only not helping the cause for which you are working, but you are really retarding the productive efforts of the nation.

I suggest to the minister that he should raise the exemption, before the national

defence tax applies, to at least $750 for single men and $1,500 for married men, just as in the case of the ordinary income tax. After all, you may call this a defence tax or what you like, but it is an income tax, and a tax on those who are not receiving sufficient income to enable them to live decently.

Mr. COCKERAM: Is it understood that members of the armed forces of Canada are exempt from this tax, or do they have to pay it?

Mr. ILSLEY: I have an amendment to propose when I come to the resolution which relates to that. We have not reached it yet.

Mr. HOMUTH: I want to get this point cleared up. The minister referred to the figuring of overtime. Suppose a man earns $520 a year in regular wages and $300 for overtime, would he be subject to this tax?

Mr. ILSLEY: Yes, if he is single.

Mr. HOMUTH: Then what is overtime? Take, for example, a plant working two shifts; the men on one shift work eight hours, on the other shift the men work ten hours. They change about every few weeks. Some of them may even work a little extra time. There is no set rule as to how many hours they work. I have in mind, for instance, a textile plant where they have dye vats, and they work overtime to finish a vat. Is it going to be left to the discretion of the employer to say what is overtime?

Mr. ILSLEY: I am not sure that I understand the question—it is my own fault of course. The pay received for overtime is taken into account as well as the regular pay, in deciding whether the person is liable to the tax. For what reason does it become material to know what is overtime and what is not?

Mr. HOMUTH: The minister mentioned overtime.

Mr. TUSTIN: I just asked the minister that question a few minutes ago, and I understood him to say that the rate of pay was to be computed on the regular day's work, not on overtime.

Mr. ILSLEY: That is right.

Mr. TUSTIN: In other words, I take it that earning two dollars a day would make a man liable for the tax, if he were a single man. That would be at the rate of $600 a year.

Mr. ILSLEY: Yes.

Mr. TUSTIN: Then he must earn that two dollars a day before his overtime is added, to make him subject to tax?

[Mr. MacInnis.]

Mr. ILSLEY: If he earns two dollars a day, that is at the rate of more than $600 a year; therefore there devolves upon his employer the obligation to make a deduction from his pay, and the employer deducts two per cent from the whole pay, regular and overtime. Perhaps I understand a little better now the question of the hon. member for Waterloo South. He wants to know what the employer is going to call overtime.

Mr. ROWE: They get double pay for overtime.

Mr. ILSLEY: Is that the question?

Mr. HOMUTH: Yes, what are you going to call overtime?

Mr. ILSLEY: There would be the regular hours, and whatever is worked beyond the regular hours would be overtime.

Mr. HOMUTH: Under the provincial codes, for instance, certain hours are set out for the textile industry. Anything over that would be overtime. But now these codes are more or less thrown overboard because under war conditions it is essential to have production. Now what is overtime? Of course I realize that it will be a matter of administration; it cannot be all set out in the act, or the act would be all cluttered up with explanations. But some definite standard should be set by the department, otherwise you are going to have a complete checker-board of what is overtime and what is not.

Mr. ILSLEY: I think if any employer had any doubt he should apply to the commissioner of income tax for a ruling. I do not think there would be any delay or difficulty.

Mr. HARRIS (Danforth): One outstanding case, a simple one, is that of truck drivers, who are paid by the hour. No particular number of hours constitutes a day's or a week's work. There is going to be difficulty there.

Mr. ROWE: Will this apply to market gardeners and farmers?

Mr. ILSLEY: Anyone who earns over $600 or $1,200 a year, as the case may be.

Mr. ROWE: At the rate of over $600 or $1,200. If he is hired by the day and works for ten days, so long as he is getting at the rate of two dollars a day he is subject to the deduction. Market gardeners and farmers throughout the country usually pay so much wages with board. If you pay a man $1.50 a day and his board, at a reasonable calculation for board he would be receiving over two dollars a day. They will have to reckon a reasonable rate for board.

Mr. ILSLEY: Yes, they would have to do that.

Mr. ROWE: Is there any rate fixed, or will there be?

Mr. ILSLEY: The department will have to determine reasonable rates in accordance with local conditions and circumstances.

Mr. ROWE: I realize that the reason for these taxes is that the government need the money, and I do not want to embarrass the minister, because I realize that he and the treasury board have given this tax a good deal of thought in order to try to remove difficulties that they see ahead for themselves and the taxpayers. But this strikes me as almost in the class of nuisance taxes as far as administration is concerned. It is cumbersome. I can see not only many headaches for the minister and his department but also many heartaches almost for employers. I think the minister might almost reconsider the advisability of a straight tax, even though not quite this much, a straight tax on the payrolls, as it were, because I fear this tax will cost almost half its proceeds to administer it.

The hon. member for Prince Edward-Lennox brought up a question which to my mind is important. It affects market gardeners, and I think he mentioned canning factories and employment of that type, where there is so much transient labour, where a man and his wife and perhaps two or three children drive in and pick berries or tomatoes at a certain price a day. They would probably get paid by the hour, at the rate of more than two dollars a day. They might spend two or three days in one place and then go on to another place. There is unlimited room for confusion and trouble. They might wind up picking oranges in California and not return and have an opportunity to get any refund. I realize that to enforce this tax there must be a penalty attached, but I see endless possibilities of confusion in that type of employment, and also for farmers. That would be particularly so with regard to men employed by fruit and vegetable growers; apple pickers, who go from one place to another; transients who stay a couple of days and then for some reason feel that they must move on. They collect a few dollars and the employer must deduct two per cent. He must get their names and addresses; he must find out all about them, whether they are married men, how many children they have, and so on. I think the statement of the hon. member for Prince Edward-Lennox indicates even greater possibilities for confusion. It seems to me that some consideration might be given to establishing a minimum of perhaps $25 or $50 before this tax would be applied.

I might mention also the fruit and vegetable canneries; no doubt the minister is well aware of the manner in which they are operated. Pickers are sent out to do work such as I have indicated. I believe it might be much easier if a minimum of $50 could be established before the tax operated. I can see a great deal of unfairness to the transient employee, much confusion for the employer and all sorts of trouble for the department. This seems to me almost in the category of a nuisance tax, the collection of which will cost almost as much as the revenue that will be obtained.

Other lines of industry might be mentioned, such as bush work, the cutting of pulpwood and so on. The hon. member for Danforth mentioned truck drivers, and the question of overtime work as far as they are concerned. In a smoothly running factory, where employment is perhaps ninety-five per cent permanent, the effect will not be so bad, but in scores of other businesses men are employed by the day. Men are hired to drive a truck or a car for a day, or to pick potatoes, tomatoes or apples, or to cut wood. It seems to me that as far as this sort of employment is concerned, the scheme would be made much more workable if some minimum were established.

Personally I would much prefer to see a straight tax of 1 per cent or 1½ per cent on the payroll, and leave it to the employer to deduct that tax. Perhaps that would not make it much easier for the employer, but I think it would cause less confusion in the department and would be more economical from the point of view of revenue and sounder from the point of view of business.

Mr. ILSLEY: There is no doubt that this tax is going to make a great deal of trouble for all of us. It will make a great deal of trouble for the department, although that is unimportant; it will make a great deal of trouble for employers and employees, but we are in trouble and we have to reckon on being in trouble in these matters. The hon. gentleman suggested that the cost of administration would be as much as the tax would bring in.

Mr. ROWE: I meant in connection with the tax paid by transients; I did not mean generally.

Mr. ILSLEY: The estimated return from this tax is $35,000,000, and I just asked the commissioner for an estimate of the cost of administration. I asked if it would be a million dollars, and he said, nothing like it. I asked if it would be half a million, and

he thought perhaps it would be something like that, although he did not know. The percentage of the cost of collection is not going to be unduly high. But the government will have to appeal to employers, employees and everybody to regard this as one of the arduous duties caused by the war and to make this tax work. We must have this money, and we must be prepared for a great deal of trouble in getting it in this way. All manner of taxes were considered before this tax was adopted. I am not prepared to argue it here; it was the responsibility of my predecessor, and I was not privy to it to any extent at all. But think of a payroll tax, under which the man with a large family is taxed at the same rate as the single man. When he asks why he is taxed at that rate and why the single man is not taxed at a higher rate or why the married man is not given a larger exemption, the only answer would be that it would be too much trouble for the employer or for the government. That answer is not good enough. He will say, "take the trouble. We must all take trouble these days, but get a little justice into your taxation." In the opinion of the government this is the most just form of a drastic, almost universal, tax—reaching away down—that could be devised.

Mr. ROWE: I do not want to hold up the resolution, but I did not mean that the tax generally would not bring in a large revenue. I had special reference to the transients who might be employed in different branches of industry. I thought a minimum might be established in those cases without much danger.

Mr. HOMUTH: Did I understand the minister to say that a farm labourer would be subject to this tax?

Mr. ILSLEY: If he is paid at the rate of $600 per annum.

Mr. HOMUTH: Then of course the government will have to establish the value of his board.

Mr. ILSLEY: Yes, the government will have to give some indication as to what would be fair in the respective localities.

Mr. HOMUTH: I have had some farmers inquire of me and I really could not answer them, but the general feeling is that farmers are not subject to this tax.

Mr. ILSLEY: Farmers are subject to it.

Mr. HOMUTH: At the end of the year a farmer finds that he has cleared, say $1,300. Will his earnings be subject to this tax?

Mr. ILSLEY: Yes.

[Mr. Ilsley.]

Mr. HOMUTH: The farmer does not think so. The feeling in the country is that the farmer will not have to pay the tax, nor will his hired man. I think that point ought to be cleared up.

Mr. WRIGHT: If the hon. gentleman who spoke last would look at the Sirois report, he would find that the average farm income for the whole of Canada for 1937 was $407, so that income will have to increase considerably before the farmers will come under this tax. I should like to remind the minister also that this tax will apply to harvest labour in the west. As a rule, harvesters are paid $3 or $4 a day. If a farmer hires men for three or four days or a week, does that mean that he will have to pay this tax?. It will become a nuisance tax as far as farm help is concerned, and as far as that goes I agree with the hon. gentleman who suggested that some minimum should be fixed.

Mr. ILSLEY: There is not.

Mr. BRUCE: I should like to answer a question asked by the minister's predecessor, if I may, instead of asking a question of the minister.

Mr. ILSLEY: Has it to do with the resolution?

Mr. BRUCE: I think it comes under this resolution. The other evening the former minister asked me a question in regard to a statement I had made, to the effect that if the minister borrowed $1,000,000,000, a tax of $50,000,000 annually would service and repay that loan in a certain period of years. The minister asked if I would tell him the number of years. At that time I had not made a computation, nor was I competent to do so; but I asked an actuary to compute the time, and this has been done. Considering that the 5 per cent of the original principal which I had in mind would be at the rate of 3¼ per cent for interest, it would leave 1¾ per cent for repayment of the principal, and that would mean that in 33 years the debt would be liquidated.

Mr. TUSTIN: I have asked the minister several questions. I do not wish him to think I am trying to embarrass him, but I would point out that in my constituency there are a great many persons who are seasonal workers, and who cannot possibly earn $600 or $1,200 a year. Again I am referring to workers in the canning factories. In the first place these people on some occasions do work long hours. For instance, let us say that today an employee may work 15 hours and to-morrow he may work 8 hours. Then possibly he may not work for a couple of days.

The question I ask the minister is this: How is the employer to compute whether that employee is earning at the rate of $600 a year? Is he to do it by the hour, or by the day or by the week?

Mr. ILSLEY: The unit of time for which the employee is paid will have to be considered. That will have to be the basis, even though it is by the hour.

Mr. TUSTIN: Most of these people work on piece work. Would one have to figure out on an hourly basis what they earn doing piece work? I am asking this question because I know I am going to be asked many questions along these lines within the next few weeks.

Mr. ILSLEY: I believe a better way for the hon. member to get the information would be to confer with the commissioner. I say that because there is a disadvantage in giving these advance commitments or opinions in respect of a measure of this kind on the floor of the house, without a chance for previous consideration, or without a chance of further questioning. I suppose there is an opportunity for me to question the questioner, but it would be more satisfactory if the hon. member were to consult with the commissioner, so that he would have full and definite answers to the questions which are sure to be put to him.

With respect to piece work I am under the impression that usually the amount per week can be computed in ordinary piece work.

Mr. HANSON (York-Sunbury): No doubt about it.

Mr. ILSLEY: And piece work can be converted into a wage rate, with that to be taken as the basis.

Mr. TUSTIN: I understand that. But I have tried to make it clear that some days these people are employed for a number of hours, other days they are employed for a lesser number of hours, and then possibly they are not employed for a day or two. Then in the following week they may work for fifty or sixty hours. I was trying to find out how the employers were going to compute it, to know whether these people were earning $600 a year.

Mr. HANSON (York-Sunbury): That will never be known. As I understand it, they will have to take off two per cent on every pay day. If in the final result the individual's income does not come up to $600 or $1,200, as the case may be, with the proper exemptions, then the individual must apply for a refund. Manitoba has had experience along these lines, and I believe their experience would be of value to the department. I believe they had it out there on an hourly basis.

Mr. HARRIS (Danforth): The predecessor of the minister made a statement which to my mind was plain, and I commented on it previously. He said:

> It is recognized that there will be a good deal of additional work for employers and their staffs in making deductions and returns, and provision will be made towards reimbursing employers for expenses so incurred.

That is going to be a difficult suggestion to put into effect and to administer. Before the resolution carries, I should like the present incumbent of the office to give us some idea of what is meant. As I read the resolution, there is nothing in it to take care of that point, and I view the statement I have read with some alarm.

Before the resolution carries, the present minister who is to administer the act ought to give some idea as to what provision will be made, if indeed any is to be made. I am still hopeful that there will not be any.

Mr. ILSLEY: In the first place I should like to say that the Minister of National Revenue (Mr. Gibson) will be administering the act—not myself.

Mr. HARRIS (Danforth): May I extend congratulations to the Minister of National Revenue. I hope Ontario gets everything that is coming to it from that minister—and I notice he is listening intently.

Mr. ILSLEY: I just wish to say I can answer the question now, that there will be some allowance to employers for the necessary work. I wish to read what the minister has said, because I believe I have not read it before. He said:

> It is recognized that there will be a good deal of additional work for employers and their staffs in making deductions and returns, and provision will be made toward reimbursing employers for expenses so incurred. Employers, however, can by their cooperation and interest help greatly in working out the methods to be adopted and in making the system operate efficiently and fairly and with a minimum of inconvenience both to their employees and themselves. I feel sure that under the circumstances we can count upon the full cooperation of employers in this additional task which they are called on to perform in the national interest at this time.

There would not be a great deal of difficulty in fixing something to cover expenses of employers. We had that in one other instance, namely, in respect of banks which take declarations concerning ownership certificates, in order to check up in regard to bearer coupons. There is a small allowance to banks to cover their expenses for doing that work.

Mr. HANSON (York-Sunbury): A service charge.

Mr. ILSLEY: Yes. There is no allowance to manufacturers for making sales tax returns, although repeatedly manufacturers have represented that they should be paid for making sales tax returns. But we have never admitted that anybody but themselves is taxed. Of course that is only theoretically true. They pass the tax on to the others, and many of them have wanted the position recognized that they were merely agents of the government in collecting from their customers. However we have said, no, that they were the taxpayers; and we have not paid them the service charge.

But in this instance the employer is the agent of the government in doing something for the government, namely, making the deduction; and there will be an allowance accordingly. I do not know what more can be said.

Mr. HARRIS (Danforth): I just wish to say that something is creeping in here. The minister has started something. I shall give an example: On Friday last in one case affecting 150 employees it took one accountant and a junior clerk six hours to go through a payroll for that week, and tabulate these deductions. I presume they would figure the cost of their work in connection with the pay of these employees. In my opinion the minister is setting a dangerous precedent. Even though the manufacturer is not taxed, he feels he is being taxed because his employee is being taxed. The setting of a service charge is not good business. The government should set a flat rate and not let those who are collecting the money for the government set what they consider should be right for a service charge. It will be found that some industries will charge more than others, while others will want to cooperate to the extent of bearing all the cost themselves. Certain industries are overorganized or superefficient, and the government will be expected to pay, not only the actual cost of collecting this tax but a certain proportion of their overhead cost and what-not all down the line. Other industries, being more patriotic, will want to absorb the cost. By originating this service charge I think the government will cause considerable dissatisfaction among the people of this country. Where there are a large number of employees and where the tax amounts to only a few cents, the work involved in tabulating the tax and collecting the money may be considerable, but at the same time I think it is a tax which industry ought to bear.

[Mr. Ilsley.]

The minister referred to the banks. I contend the banks have been too prone to make service charges, especially for what they do for their depositors. As the minister knows, during the last three or four years the banks have instituted service charges for carrying bank accounts and the issuing of cheques against savings accounts. The same thing may be said of public utilities. We have the gas companies making service charges for their meters and so on. This sort of thing should be frowned upon and our conduct of affairs should not be cluttered up with service charges. Mr. Chairman, both you and the minister are learned gentlemen and you know how certain bills are made up. Service charges creep in all the way through and then there is a five per cent charge on top of everything.

Mr. HANSON (York-Sunbury): Five per cent charge for service? I have not heard of that.

Mr. HARRIS (Danforth): I was thinking of trusteeships. I hope when this is put into effect that those industries which are anxious to cooperate to the extent of bearing the full cost will not be discriminated against.

Mr. ADAMSON: I have a problem somewhat similar to that raised by the hon. member for Prince Edward-Lennox, but mine is in connection with the canning factories. The employees of these factories will work for fifteen to sixteen hours a day during a rush period of a week or two and their wages will be quite large. There must be some way in which the wages of these employees could be evened throughout the year. They may work a week or two at high pressure, and then not work for probably three or four weeks. During the winter the factories are sometimes shut down completely. In England they have had somewhat the same problem in connection with their unemployment insurance. There an employee is given a card, and at the end of the week a stamp is placed on the card to show that he has paid his insurance. I suggest that a similar system should be worked out for Canada. A man would work for a week and at the end of the week his tax would be deducted. When the year had closed he would have immediate proof that his total income had not come up to the taxable figures.

Mr. ROWE: I understood the minister to say that unless a man was earning at the rate of $2 a day, no return would have to be made. Paragraphs 2 and 3 read:

That every employer be required to deduct the tax imposed in respect of earnings of the employee earned or accruing due during and after July, 1940;

That every employer remit the tax collected at the source on the sixteenth day of September, 1940, and on the fifteenth day of each month thereafter.

I understand that to mean that no matter what wage a man is earning, the tax must be deducted and returned on the fifteenth of each month. Some warning would have to be given agriculturists, vegetable growers and others to get started in order to be able to pay next month.

Mr. ILSLEY: This resolution relates merely to the machinery by which the tax is secured by the employer, it does not mean that the tax must be deducted in the case of every employee.

Mr. ROWE: A man may receive $2 a day from one employer, $1.70 a day from another employer and $3 a day from another. His total earnings for the year might be $1,300. Where would the deduction be made?

Mr. ILSLEY: The man who paid $2 would make a deduction; the others would not.

Mr. HANSON (York-Sunbury): There was the matter of commission compensation to which I referred yesterday.

Resolution stands.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Wednesday, July 10, 1940

The house met at three o'clock.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

WHEAT STATISTICS

Mr. NICHOLSON:

1. How much wheat has been delivered at country elevators in the three prairie provinces in each of the following crop years: 1939-40, 1938-39, 1937-38?
2. What amount of wheat was traded in the Winnipeg grain pit, and what amount cleared through the Winnipeg Grain Exchange Clearing Association during each of the above periods?
3. Where is grain for Churchill inspected before being shipped to the port?
4. How much grain was rejected in 1939 and 1938?
5. What disposition was made of the rejected grain?

Mr. MacKINNON (Edmonton West):

1. August-May, 1939-40, 385,110,879 bushels; August-July, 1938-39, 281,255,243 bushels; August-July, 1937-38, 118,326,431 bushels.

2. Information not available.

3. All grain consigned to Churchill is inspected at The Pas, Manitoba, with the exception of cars loaded too full to sample which are inspected at unload.

4. Crop years.

	1939-40 (to June 30) bushels	1938-39 bushels	1937-38 bushels
Wheat	1,257,501	5,358,839	736,725
Oats	17,128	16,856	25,516
Barley	3,464	9,774	6,456
Flax	....	1,147	....
Rye	4,761	4,290	4,104

5. Disposition not known, but presumed sold as rejected.

QUESTION PASSED AS ORDER FOR RETURN

MAINTENANCE OF DEPENDANTS OF INTERNED CANADIAN CITIZENS

Mr. MacINNIS:

1. Is there provision made for the maintenance of the dependants of interned Canadian citizens?
2. If so, what is the amount per month (a) for a wife, and (b) for each child?
3. To whom should the dependants of such interned person in British Columbia make application?

MOTIONS FOR PAPERS

ROSTHERN, SASK., POSTMASTERSHIP

Mr. DIEFENBAKER:

For a copy of all correspondence, petitions and other documents since January, 1940, relating to the filling of the vacancy for postmaster at Rosthern, Saskatchewan.

RECENT RELEASE OF JOE CELONA FROM WESTMINSTER PENITENTIARY

On the notice of motion:

For a copy of all correspondence, letters, telegrams, petitions and other documents sent by any individual or individuals to any official of the Department of Justice or to the Minister of Justice in connection with the recent release of Joe Celona from the New Westminster federal penitentiary.

Mr. SINCLAIR: I would ask that this motion be dropped.

Mr. HANSON (York-Sunbury): I presume it was the mover in whose name the notice stands who made the request to have it dropped. I am not in accord with that request. I think the matter is important and the order should be tabled. If I am voted down, that will end the matter for the moment, but I am opposed to having the notice dropped.

Mr. LAPOINTE (Quebec East): The mover of the motion is responsible for it and is the master of his own actions in the matter. May I say that even if the matter were not closed, this motion could not be accepted, because, as my hon. friend well knows, it relates to confidential matters.

May I say furthermore that the man who is mentioned in this motion was rearrested yesterday. The ticket of leave has been cancelled on representations which have been made to the department.

Mr. HANSON (York-Sunbury): That is a full justification of the position I have taken. I understood that that was the case, and I am glad that the minister made the statement he did. But that does not tell the whole story. Why was he let out, in the first instance?

Mr. LAPOINTE (Quebec East): I am quite willing to say.

Mr. HANSON (York-Sunbury): Second, why is he taken back now?

Mr. LAPOINTE (Quebec East): I am quite willing to say why, and why the ticket of leave was cancelled. My hon. friend would not get that by this motion. The motion could not be accepted by the house.

Mr. SPEAKER: The hon. member cannot withdraw without the consent of the house.

Mr. HANSON (York-Sunbury): Well, I shall not press the matter. I have got what I want.

NATIONAL DEFENCE

QUESTION AS TO USE OF CIVILIAN RIFLE ASSOCIATIONS AS HOME GUARDS

On the orders of the day:

Mr. T. L. CHURCH (Broadview): I desire to ask the government a question of which I have given the minister notice. Will the Minister of National Defence (Mr. Ralston) give consideration to the formation as home guards of civilian rifle associations throughout Canada, as was done in England and France, and give them recognition? During the Finland campaign the value of the rifle in modern warfare was demonstrated. I suggest that the government concentrate first, as was done in England, on miniature rifle ranges for men to practise on in our cities and towns under citizen clubs and home guards. Lord Roberts urged this national work before the great war. Will the minister look into the matter? It will cost little for Canada to become a nation with a reserve of men who will know how to use a rifle, an arm the efficiency of which has been amply demonstrated in the present war.

[Mr. R. B. Hanson.]

Hon. J. L. RALSTON (Minister of National Defence): I took note of the hon. gentleman's question the other day. I may say to him that my opinion—and it is also the opinion of the officers of the department—is that, having regard to the policy which is being pursued of authorizing recruiting up to war strength of the non-permanent active militia units, the formation as home guards of civilian rifle associations would not be justified for the purpose of teaching Canadians how to handle rifles. I may remind my hon. friend that a week or two ago my colleague the Minister of National Defence for Air (Mr. Power), who was then acting Minister of National Defence, announced to the house that the recruiting up to war strength of non-permanent active militia units, of which there are about ninety, had been authorized. Our opinion is that it would be far better—in fact I expect to make an appeal to the Canadian public to this effect—to proceed with matters of military training of this kind through the organization of the non-permanent active militia, rather than by forming these other bodies.

INQUIRY FOR RETURN

PRAIRIE FARM ASSISTANCE ACT—AFFIDAVITS FROM FARMERS

On the orders of the day:

Mr. E. G. HANSELL (Macleod): May I direct a question to the Minister of Agriculture (Mr. Gardiner). On June 17 there was passed an order for return respecting copies of affidavits sent in under the Prairie Farm Assistance Act for townships 10 and 11, range 27, west of the 4th meridian. I wonder whether the minister would care to say when we may expect this material.

Hon. J. G. GARDINER (Minister of Agriculture): So far as it is possible to bring down the information required in the order, it will be brought down as soon as possible. Listening to what has been said, however, I would suggest that there is some question whether we are at liberty to bring down all declarations made by individuals, because they might be considered confidential.

SOCKEYE SALMON FISHERY

PRICE TO BE PAID TO FISHERMEN BY BRITISH COLUMBIA CANNERS

On the orders of the day:

Mr. H. C. GREEN (Vancouver South): May I direct a question to the Minister of Fisheries (Mr. Michaud)? As the minister knows, there has been quite a serious dispute on the Pacific coast concerning the price to be paid to fishermen for salmon during the present season.

Various parties asked the government to intercede, and it was my understanding that the minister said the other day that the government would make some move to try to help in ironing out the trouble. Time has run on, the season is passing, and apparently some of the fishermen have not yet gone out to fish, while others who have gone out are threatening to return unless there is some settlement of the dispute. What action have the government taken and what do they propose to do?

Hon. J. E. MICHAUD (Minister of Fisheries): The hon. member was kind enough to intimate to me that he intended to make this inquiry. The matter of the sockeye salmon fishermen on the Pacific coast has been referred to us and has been submitted to the war-time economic committee for study and report, and I expect that the report of the committee will be ready for release this evening or to-morrow morning.

With regard to the general situation, our information is that on Monday morning all the fishermen who had taken out licences to fish proceeded to the fishing grounds; but there are a few seine boats which have been tied up in Vancouver since the beginning of the season, and I am informed that this method of fishing is not a large factor in sockeye fishing.

TRANS-CANADA HIGHWAY

REQUEST FOR FEDERAL ASSISTANCE IN RECONSTRUCTION OF CUSHING BRIDGE AT CALGARY

On the orders of the day:

Mr. C. E. JOHNSTON (Bow River): I have received a letter from the East Calgary Taxpayers' Association in regard to the construction of a new bridge on the site of the present Cushing bridge in Calgary East, on the trans-Canada highway. These people are desirous of having a new bridge built there because the present structure is dangerous having regard to the amount of traffic going over it on account of its location on the trans-Canada highway, and they are asking that something be done about the matter. I think it is the intention of the provincial government to assist in the construction of this bridge, but apparently the city of Calgary has refused to have anything to do with it because it is on the trans-Canada highway. I have sent notice of this question to the minister, and I wonder if he would make some statement now.

Hon. T. A. CRERAR (Minister of Mines and Resources): I have not received the notice the hon. member says he sent me.

Mr. JOHNSTON (Bow River): I sent it to the minister's office about one o'clock.

Mr. CRERAR: That does not alter the fact that I have not received it. I did not fully catch my hon. friend's question, but I gather that the matter to which he refers is one that should be directed to the provincial government at Edmonton, rather than to the federal government at Ottawa. It is not the business of the federal government to build bridges on provincial, municipal or any other sort of roads.

Mr. JOHNSTON (Bow River): But this is on the trans-Canada highway.

Mr. CRERAR: That makes no difference.

Mr. JOHNSTON (Bow River): May I just state—

Some hon. MEMBERS: Order.

Mr. CRERAR: During the last few years we have given some federal assistance to various provinces, in fact I think to all the provinces, towards the construction of tourist highways, but nothing beyond that.

Mr. JOHNSTON (Bow River): In this memorandum the taxpayers' association refer to a letter which the minister wrote on October 23, 1939. I can read, if necessary, the part of that letter quoted.

Mr. CRERAR: If my hon. friend will let the matter stand until to-morrow I shall look into it, and I may be in a position then to give him further information.

Mr. HANSON (York-Sunbury): Is there any federal responsibility? It would not so appear to me. The minister might direct his attention to that point.

Mr. CRERAR: That is correct.

APPLE SURPLUS

QUESTION OF FREE DISTRIBUTION TO CHARITABLE INSTITUTIONS AND DESTITUTE FISHERMEN

On the orders of the day:

Mr. J. S. ROY (Gaspe): I should like to repeat the question I directed to the Minister of Agriculture (Mr. Gardiner) on June 27, concerning the free distribution of the 1939-40 apple surplus. May I expect an answer before prorogation?

Hon. J. G. GARDINER (Minister of Agriculture): As I remember the incident, that question was asked in very much the way in which the question is now asked, and I think I suggested that the hon. member put his question on the order paper so that I might answer it in the ordinary way. So far as I know that suggestion has not been carried out, but I shall obtain an answer for the hon. member.

NATIONAL WAR SERVICES

ESTABLISHMENT OF DEPARTMENT TO CONDUCT NATIONAL REGISTRATION AND SURVEY, ETC.

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved that the house go into committee to consider the following resolution:

That it is expedient to introduce a measure to establish a Department of National War Services, with power to the minister thereof to conduct a national registration and survey, to promote, organize and co-ordinate offers of voluntary assistance and public information services; to assist in carrying out the purposes of the National Resources Mobilization Act, 1940; to establish councils, committees or boards or use existing agencies to assist the minister; to empower the governor in council to prescribe penalties for violations of the act; and to provide further for the employment of officers, clerks and employees necessary for the proper conduct of the business of the department and to authorize the payment of expenditures incurred under the act.

He said: I imagine everything hon. members would wish to discuss on the resolution may be discussed on the bill itself. My purpose in calling this order first is to enable me to introduce the bill and have it distributed immeditely, so that hon. members will have it before them in case we are able to reach the bill itself later in the afternoon. As soon as this resolution is disposed of it is my intention to call the order dealing with the amendment to the Department of National Defence Act. When we have concluded with that measure I may ask the house to give consideration then to the act respecting the Department of National War Services.

Motion agreed to and the house went into committee, Mr. Vien in the chair.

Mr. STIRLING: I think it was a very reasonable request that we should proceed with this measure as far as the first reading of the bill, but I believe we should like any further discussion to stand in order that we may have an opportunity of considering the bill itself.

Mr. MACKENZIE KING: Certainly.

Resolution reported, read the second time and concurred in. Mr. Mackenzie King thereupon moved for leave to introduce Bill No. 75, respecting a Department of National War Services.

Motion agreed to and bill read the first time.

NATIONAL DEFENCE

APPOINTMENT OF ADDITIONAL MINISTERS AND DEPUTY MINISTERS FOR MILITARY, NAVAL AND AIR SERVICES

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved the second reading

[Mr. Gardiner.]

of Bill No. 74, to amend the Department of National Defence Act.

He said: As I intimated to the house a day or two ago, the purpose of the present measure is to make provision for an additional portfolio in relation to the Department of National Defence. At the present time the administration of all branches of the department is under the Minister of National Defence and the Minister of National Defence for Air. It is proposed to make provision for a third minister, the Minister of National Defence for Naval Services, whose duties with respect to naval matters will be similar to the duties of the Minister of National Defence for Air in regard to matters pertaining to the air forces.

The present bill repeals the act passed this session with respect to the appointment of a minister of national defence for air, but reenacts its provisions in their entirety in a broad manner which permits of the inclusion in the Defence Act, which is the act that is being amended, of the duties and functions of the Minister of National Defence for Naval Services as well as those of the Minister of National Defence for Air. It will be noticed that the bill also makes provision for the appointment of a minister to be associated with the Minister of National Defence. I might explain that when my hon. colleague who until recently was Minister of Finance (Mr. Ralston) consented to take over the duties of the Department of National Defence he felt he would wish to have associated with him a colleague who could be immediately at hand to assist him in seeing that matters of urgency in the department were expedited as rapidly as possible, and that no delays would occur, for example, through the absence of the minister himself. As an example, assuming the minister were called upon to leave the city and visit a training camp, or if he desired to perform that particular duty, one which would come naturally within the duties of the minister of national defence, there would not be, unless special provision were made for it, a minister here at headquarters with authority to take immediate action concerning some of those matters which might require prompt attention and action.

As the Minister of National Defence for Air has had a wide experience in the Department of National Defence, having acted as minister of that department for a considerable period of time, my colleague feels that he would be better qualified than anyone else to take on the responsible duties of associate Minister of National Defence.

The purpose of the bill as to its immediate application is to give to the Minister of

National Defence for Air the authority of the Minister of National Defence with respect to any matters which may come up in the manner I have described. At first glance the proposal appears involved, but hon. members will on reflection see that it is quite simple and also very necessary. It may be made readily apparent by considering just one concrete example of the working of the proposed arrangement. An acting minister might perform certain duties, but he would not have the same authority as a minister who has been given his powers by statute. It is to enable whoever acts as associate minister to assume full authority, not only in his own eyes but in the eyes of officials and other members of staffs of the Department of National Defence, and also in the eyes of the public, to act for and in full authority as Minister of National Defence, whenever the minister may be absent, or whenever in relation to some particular matter the minister himself may so request, that this additional provision is being made.

Mr. STIRLING: Do I understand from the explanation given by the Prime Minister that there will be three individuals, namely the Minister of National Defence, the Minister of National Defence for Naval Services and the Minister of National Defence for Air, who, at least for the present, will also be associate ministers?

Mr. MACKENZIE KING: No; there will be three ministers of defence. There will be the Minister of National Defence, the Minister of National Defence for Air and the Minister of National Defence for Naval Services, each of whom will have full authority with respect to his own immediate department. But with respect to the Department of National Defence there will when this bill becomes law be associated with the minister of that department the minister of the Department of National Defence for Air, who will have the same authority with respect to matters of national defence as the Minister of National Defence himself would have. There is no provision made for an associate minister, beyond the Department of National Defence.

Mr. STIRLING: Just three individuals?

Mr. MACKENZIE KING: That is correct. The purpose is to expedite matters, and also to assist the minister himself in connection with the many matters which will come before his immediate department. In other words, the minister while dealing with one important matter might wish to have someone with the authority of a minister of national defence deal with some other matter also relating to defence. This provision would give authority without questions arising in the minds of anyone as to whether or not authority existed.

I believe I have covered all that could be said on second reading. If there are any questions in committee, they may be answered at that time.

Hon. R. B. HANSON (Leader of the Opposition): The statement of the Prime Minister (Mr. Mackenzie King) has to some extent clarified the situation. At first blush it might appear from the bill that we were to have four different ministries of national defence, and I just wondered where we were going. I now understand the Prime Minister to say that there are to be three individuals: the Minister of National Defence proper, in the person of the hon. member for Prince (Mr. Ralston); the Minister of National Defence for Air, whom we all know, and the new Minister of National Defence for Naval Services. I had the idea in mind that the Associate Minister of National Defence might be a fourth or alternating individual, if I may put it in that way.

I suggest to the Prime Minister that the bill is unhappily drafted. I understand now what the idea is, but I am not at all certain that the bill itself carries it out.

It will be understood of course that we are not opposing this measure. We want it to go through, because it has been the announced policy of the government that as a war measure there should be an additional minister. We do not desire to delay or oppose the measure. But whoever drafted section 3, in which provision is made to add an additional section to be known as section 4A, has not made the intention clear. Certainly we do not find any definition of the functions of the associate minister in question, although a reading of the sections found on page 2 of the bill may make the situation a good deal clearer. On reflection it may appear that the exercisable powers are sufficiently set out in subsection 2 of section 3, but certainly from a reading of the new section 4A one does not get a clear impression of the intent. It is definitely stated now, however, that the purpose of the bill is to make provision for an associate minister, who will be the Minister of National Defence for Air so long as he occupies that position, and who will be associated with the minister proper, to act either in conjunction with him or in his absence. The bill further makes provision for a minister of national defence for naval services.

May I ask the Prime Minister if the government has given any consideration to the suggestion I made some time ago, and to which I have had no response, respecting the appoint-

ment of an overseas minister of national defence? It may be that in view of the changed circumstances that such an appointment is not necessary, but I should like to know what the reaction of the Prime Minister has been to the suggestion. May I have a specific declaration from the minister also as to whether a policy has been reached with respect to sending additional men overseas other than those required as reinforcements for the first division? There are conflicting reports as to the necessity of further overseas aid, first, with respect to man-power and, second, with respect to war equipment of various kinds. I could enumerate the different types of equipment which might be required, but I think we are all well aware of what they are. I have never been able to get out of my mind the appeal made by Mr. Eden when he spoke on that Sunday and asked for more guns, more tanks and more planes. What is the government doing with respect to this particular sphere of activity? It is about time we had a report on it.

Then there is the matter of other supplies. I have in mind particularly foodstuffs, such as wheat. Are we doing anything to supply the mother country with what she needs in the way of foodstuffs? Are we making any effort to supply out of our abundance countries in Europe which are still open to us? Are we just waiting until the British government gives an order for wheat or for other commodities that may be required?

While I am on my feet I should like to make a suggestion to the government, one which I make not with hesitation but with the utmost good-will. We have an opportunity to make a magnificent gesture to the British government. We are carrying a huge surplus of wheat from the 1939 crop and there is the prospect of an abundant harvest later on this year, which will increase our supplies of this most important of foodstuffs, now being quoted on the market at a very low price. Some hon. members will contend that the price is below the cost of production. Why should not this government give the British government 100,000,000 bushels of the wheat carry-over? Serious consideration should be given to this suggestion. We should not wait until the British government comes along and, shall I say, bargains with us for the price to be paid. It is one thing that Canada can do. We have a superabundance of this commodity which Great Britain either needs now or will need later on. To give Britain 100,000,000 bushels of our wheat would serve a useful purpose; it would release that much storage space for the new crop. From what I hear, I do not know where it is going to be stored.

[Mr. R. B. Hanson.]

Mr. McCANN: Not in England.

Mr. HANSON (York-Sunbury): I do not know where they will put it in England.

Mr. McCANN: They have no large storage facilities now.

Mr. HANSON (York-Sunbury): Of course my hon. friend does not know any more about it than I do. I do not know where they will put it, but I think they will take care of it if we offer it to them. My hon. friend's remark is just a red herring which he is drawing across the trail. I urge upon this government that they say to the British government that we have a superabundance of this vital foodstuff and offer the quantity I suggest. It would be a great gesture to the people of England, one which ought to have been made long ago.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Vien in the chair.

On section 1.

Mr. MACKENZIE KING: My hon. friend asked one or two questions on the second reading. I did not wish to make a reply at that time, but I will give an answer now that we are in committee. First of all, with respect to the matter of an associate minister. The situation, as it will be in fact and in practice once this measure is enacted, will be precisely as my hon. friend the leader of the opposition has described it. I agree with him when he says that the section as drafted is wide enough to permit the appointment of a fourth associate minister to the Minister of National Defence. While it is not the intention to make any such appointment the government has felt there were strong reasons why it might be advisable to leave the section exactly as it is. One does not know what may happen in the course of days and months. A situation might arise where the minister might feel that he would wish to have someone appointed as associate who could give his entire time to matters arising in his office. If a situation of that kind arose it would likely arise very suddenly and possibly before there would be an opportunity to get a measure through to help to meet the situation which he would wish to meet.

I say quite frankly that while it is not intended to make any such appointment, while it is intended that the associate minister shall be the present Minister of National Defence for Air, it has been thought advisable to leave the section as it is with the understanding that if the occasion should arise where, for example, the Minister of National Defence for Air would not in addition to his own duties

as minister of defence for air be able to meet the demands of that particular office, the minister himself might then feel that he had the authority to proceed with the appointing of someone else. Of course, if another appointment were made there would have to be further provision from parliament to meet the salary of such appointee, but there is no intention to ask for such salary at the present time.

Mr. HANSON (York-Sunbury): Perhaps unwittingly the draughtsman has caused the government to do just what I suggested might be done with this bill. Apparently the Prime Minister has, I shall not say seized the idea from me.

Mr. MACKENZIE KING: That is what was intended.

Mr. HANSON (York-Sunbury): That intention was not stated at the beginning. I think it is a good suggestion; it would afford an opportunity to have someone associated with the minister in addition to the Minister of National Defence for Air. There is something else that might be considered. Unfortunately there could be a repetition of what has happened. We cannot keep out of our minds the fact that accidents do happen and have happened. I am quite content that the Prime Minister and the government should accept the interpretation which I placed on this section, and keep open the possibility of appointing a fourth associate.

This bill has no short title. Of course a short title is not essential, but it might have occurred to the draughtsman.

Mr. MACKENZIE KING: It is part of the national defence act.

Mr. HANSON (York-Sunbury): It will become part of that act?

Mr. MACKENZIE KING: Yes.

Mr. HANSON (York-Sunbury): Has the Prime Minister given consideration to the matter of the appointment of an overseas minister?

Mr. MACKENZIE KING: Yes. May I say that ever since the war commenced the government has had before it the question of whether it was advisable and necessary to appoint an overseas minister. Our minds have been quite open on that matter from the beginning, but we have not felt that up to the present a situation has arisen which demanded it. During the last war there were obvious and special reasons why it was desirable to have an overseas minister. I need not go into those reasons at the moment as they are pretty generally known. As I have said, thus far we have not felt that there was any necessity for the appointment of an overseas minister. Matters have been working quite smoothly in London as between different branches of the administration there and the office of the high commissioner. We are fortunate in having in the person of the Hon. Mr. Massey, our present high commissioner, one who is himself a member of the privy council, has been a member of the cabinet, and one who is very efficient in the discharge of his very responsible duties. He has an immediate contact with members of the British government and with others holding high administrative posts in London. Thus far we have not been in any way embarrassed by not having an additional minister in London. I am afraid that the appointment of an additional minister might serve only to create embarrassment. Such an appointee would be a fifth wheel to the coach over there, at the present time at all events. As my hon. friend has himself remarked, the situation has changed materially. If the war had run along on lines similar to those of the previous war there might have been necessity for an overseas minister, and it is of course possible that before the present war is over the need for such an appointment may arise, but up to the present time we have not seen any necessity for such an appointment.

I might point out an additional reason why the necessity is not likely to arise. In addition to having the High Commissioner for Canada in London, we have to-day in Ottawa in the person of the High Commissioner for the United Kingdom a further means of immediate and speedy communication between the governments of both countries. That situation did not exist before. We also have had visits to the old country by members of the government itself. My hon. friend will recall that the Minister of Mines and Resources (Mr. Crerar) visited London shortly after the war commenced and spent a month or more in contact with the British government and with our own forces, and more recently the late Minister of National Defence, Mr. Rogers, also visited London. I presume other ministers will be crossing to London as the occasion and the need for their presence there arises. In these circumstances generally we have not, as I have said, found it necessary to make an appointment of a minister overseas.

Mr. HANSON (York-Sunbury): I can quite understand what the Prime Minister says, that the need for the appointment of an overseas minister has not yet arisen, whatever the future may hold in store for us. While I am on my feet I wish to make clear that in raising this question I had not the slightest intention of making any reflection upon the

high commissioner or upon his ability to act on behalf of the Canadian government in London. Such a thought never entered my head, and I want to make that quite clear.

I alluded to another very important matter. I should like to have a declaration of the government's policy with respect to sending more men to the old country. This seems to be the appropriate place for me to ask for it, and if the government is not ready to make a statement to-day, perhaps it will give the matter consideration and answer later. Are we to send more men to the old country? If we are not, we ought to know it. Beyond sending over the necessary reinforcements—and I assume it is the accepted policy that the forces over there will be kept up to full strength—I think the country ought to know just what the intention of the ministry is, one way or the other. It was intimated at one time, I forget by whom, that the second division would not now be sent over but would be kept on garrison duty in Canada. That announcement was a source of great disappointment to a lot of officers of the second division who had hoped to go overseas and who would not have sought commissions in the second division if they had thought they would be obliged to stay in Canada and do garrison duty. I can think of nothing more deadly in the life of a soldier than to have to hang around a garrison town and perform routine duties when there might be an opportunity for him to get nearer to the thick of the battle. I personally know one or two valuable citizens who would be glad to go overseas with the second division but would loathe the idea of becoming officers if they were simply to hang around a garrison town in Canada—and as my associate (Mr. Stirling) remarks, with the second division almost entirely unequipped.

On this question of equipment I think it is time that we had a further report from the ministry as to what equipment is going forward, what will go forward, and so forth. The country is awaiting some declaration from the ministry in that regard. While dealing with this subject, I hold in my hand a copy of a magazine called *Time*. Let me say at once that I never before read this magazine, and judging by the number of inaccuracies it contains—that is all I am going to call them at the moment—inaccuracies which to me at least are apparent, I do not think I shall want to read it very often. In its issue of the 8th of July, under the caption "Canada—There will always be an England," appears an article which if true is a terrible reflection on this country. I just cannot believe that all the statements in this article are true; I do not believe it. I know nothing about the man who wrote this article.

[Mr. R. B. Hanson.]

Unfortunately he may not have got in touch with the true situation with respect to the subject matter to which he alludes. But this is a magazine which I understand is circulated by the hundreds of thousands, if not millions, in the neighbouring republic, and articles of this kind are likely to do great damage to our prestige in that great country. I do not know whether the Prime Minister or the Minister of National Defence have seen this article, but there is a whole staff of press agents and propagandists attached to the ministry and I do not know any better purpose to which they could be put than to refute some of the statements contained in this article, because it is a direct reflection not only on the ministry but on the people of Canada as well. It is almost in the category with some of the stuff that has been published by the *Saturday Evening Post*. If I wanted to go after this government and embarrass it I could do nothing better than to read this article, but I am not going to read it. I do not believe all the things that are contained in it, but something ought to be done to counteract this kind of propaganda, because, as I have said, it is a direct reflection on the people of Canada as well as on the government.

At the very opening of the article there is a slighting reference to the Prime Minister, a reference to his, shall I say, physical structure, which somewhat resembles my own. To me it does not appeal at all, and I am calling attention to the article to ask the government to take steps to have this sort of thing kept out of Canada. More than that, some attempt ought to be made to refute or counteract it in the United States, whose good opinion we seek and value most highly at this time. Never was there a time in the relations between the two countries when there was a warmer feeling than there is now mutually between our cousins across the line and ourselves. The two countries have come closer together, more out of sentiment, I think, than anything else, and articles of the kind to which I refer have a tendency to bring this country into disrepute. I have felt that the policies of the government in days gone by—this is an old story and perhaps I should not bring it up at all—have had a tendency to bring too much of this kind of trash into the country. I remember listening once to the Prime Minister when he said that there should not be any tax on brains. In theory that is a fine principle, but there should be a prohibitive tax on trash coming into Canada.

Mr. RALSTON: My hon. friend has put me in a difficult position particularly with regard to his inquiries respecting troops going overseas. I have in mind, without fixing any date whatever, that a very large body will be proceeding overseas very shortly. These are not directly troops of the second division. I have in mind also that on account of communications which have been received from the government of the United Kingdom a substantial part of the second division is now on special duty outside Canada. I have in mind also that communications have been passing in the last few days with regard to the remainder of the second division, and yesterday I spent all morning with the staff officers and with the officer designate in command of the second division discussing the question as to the wisest policy having regard to the communications to which I have referred.

My hon. friend will understand that the situation is naturally a difficult one. We have to take account of the situation in Canada, the requirements here, and the possibilities which may arise with respect to the defence of Canada and the necessity for having trained troops here ready to move should the emergency demand it. We have to take into consideration what might be regarded as our more distant lines of defence, and we have to consider the communications exchanged with the United Kingdom from time to time with regard to the best disposition having regard to the greatest advantage to the common cause. These communications have been considered. To-day I am dealing with a message which, in consequence of a discussion held by the war committee of the cabinet last night, is being sent to the United Kingdom regarding the best disposition of the remainder of the second division, less a proportion which I consider and which, I may say, my officers consider it desirable to have remain in Canada at the present time. No one realizes better than I do what my hon. friend says—that, so far as the officers and the men are concerned, there may be a certain amount of ennui and boredom in service in Canada. As a matter of fact, if hon. members will permit a personal reference, I enlisted, I can remember, in the fall of 1915 and we sailed in October, 1916. I know therefore how tiring it becomes to soldier in Canada when the excitement is elsewhere. But we were not at that time in the situation we are in to-day. The troops with whom I was associated did not expect to be, and really did not see any possibility of being called upon at any time to do duty here for the defence of Canada itself.

If I might digress for a moment, the Canadian troops at present enlisted—and there is something like 70,000 of them in Canada, or close to that number—are required to perform a variety of duties demanding varied training. They are required for coastal defence. That is one type of duty. They are required as guards of internment and prison camps. They are required as guards of vulnerable points. They are required for the purpose of the tactical defence of Canada, should the necessity arise. Detachments are required also to go to the outposts of this continent or the outposts of empire, to perform special duties on their own initiative, and I should perhaps point out that in some instances these special duties make a special call on equipment and accommodation, reducing what is available for the forces training here which might be avoided if troops went to the United Kingdom. And in addition to the various possible activities I have mentioned our soldiers may be sent to England.

In the short space of time since I have assumed office—I assumed office last Saturday morning—I have felt that the necessity in Canada was to give fundamental training in drill, in discipline, in musketry, in the different things that go to make up the basis of a soldier's work, and then give specialized training having regard to the different jobs which they may be called upon to do. That is what we are endeavouring to do at the present time. Every soldier who can be sent will be sent wherever it is considered he can be used most effectively. I have a responsibility to the people of Canada and to the empire as well, and I shall try, if I may put it in the first person, to discharge that responsibility to the best of my ability in the endeavour to dispose of the troops as may seem necessary under the circumstances.

As regards the sending of the remainder of the second division, we are now in communication with the United Kingdom and a message is being dispatched to-day as a result of the decision which was arrived at last night at the meeting of the war committee of the cabinet with respect to what further may be done in that regard. Without disclosing anything which, in the public interest, I should not make known, I may say this further. At that conference yesterday morning my one endeavour was to see whether it was possible to have troops in Canada sufficiently trained, mobile, adaptable and flexible to be able to substitute them for troops whom we might send on certain special duty if that should prove desirable. As a result of that discussion, we did arrive at a disposition which could release another substantial number of trained troops for that purpose. I

cannot make any further statement in that regard this afternoon. I can assure the committee that I am fully alive to the needs of the situation and the diverse requirements which we in Canada are called upon to face. I may say further that I intend to speak to-night to the people of Canada to inform them that, as a result of the authorizations which have been given, there will be room for nearly 40,000 more men in the Canadian active service force; and in addition to that, if men do not want to enlist in the Canadian active service force and to spend their full time soldiering at the moment, they will have an opportunity of enlisting in the non-permanent active militia and putting in two weeks' training at headquarters and two in camp, or all in headquarters or in camp, as facilities may allow. Thirdly, if they do not desire to enlist in either of the units, in six weeks' time the first quotas will be called out for training in connection with the general mobilization. I shall try to indicate the opportunity and the need for the enlisting and organization of man-power in these large numbers that I have indicated, so that we may be able to train them to meet whatever exigencies may arise.

With regard to equipment, my hon. friend has touched upon a point of interest to us all, a point of vital interest to me. He knows that there are items of personal equipment and items of unit equipment in connection with which there is a shortage. The situation was that up to two months ago, in exchange for our wheat and other things that we were selling to the old land, Great Britain desired us to permit her to supply as far as possible the heavy unit equipment necessary for these units. That time has gone by. In the United States there were also sources of supply, but the situation has changed there as well. The result is that Canada is very much on her own in regard to the supplying of equipment. When I say that we are doing everything possible, I want hon. members to take that assurance one hundred per cent. Ten days before I assumed this post I had a conference with the Acting Minister of National Defence (Mr. Power), the Minister of Munitions and Supply (Mr. Howe), his officers, and our staff officers, and we went over every item of equipment we could think of. Plans as definite as possible were made for the production or procurement—it cannot be all done at once, and I am sorry it is not going to be faster than it is—just as quickly as we can in this country, and from other sources of supply, of equipment for our own needs regardless entirely of United Kingdom sources of supplies. We are dealing with this situation. As the hon. member for Yale (Mr. Stirling) remarked, if we send a second division we expect to procure overseas a good deal of the heavy unit equipment. The motor transport for the second division is over there now. We expect to have Bren gun carriers and a little later to be able to send them over in replacement of those to be supplied by the United Kingdom in the first instance. Other items of equipment were to be obtained over there.

Mr. HANSON (York-Sunbury): Before the minister continues will he tell us very frankly the position with regard to the Bren guns?

Mr. RALSTON: Will my hon. friend permit me to do this? The leader of the opposition in the senate asked the same question the other day. I have somewhere among my papers, although not here, an exact statement of the number of Bren guns which have been delivered, the number which will be delivered on August 1, and so on. I have not the figures in my mind, although I think I could give them with considerable accuracy. I should be glad to furnish them to the leader of the opposition, to the leader of the Cooperative Commonwealth Federation group, and to the leader of the Social Credit group.

Mr. HANSON (York-Sunbury): The minister prefers not to make that information public?

Mr. RALSTON: That is so. But I can assure these hon. gentlemen and all members of the committee that I was gratified by the statement, having regard to the terms of the contract. I am sure that what has been said about deliveries ahead of the contract will be very substantially implemented.

Mr. BROOKS: Does that apply to the tripods which are needed for the Bren gun?

Mr. RALSTON: I cannot tell my hon. friend that. I do not think there was any mention in the statement of tripods. I had it in mind that that would apply to the complete gun.

Mr. STIRLING: It cannot be used without the tripod.

Mr. RALSTON: Let me say just one word further, with regard to uniforms. I am told that serges are coming in at the rate of fourteen thousand a week, summer dress at the rate of twenty-one thousand a week; and that those amounts will be substantially accelerated within the next two or three weeks.

Mr. CHURCH: I can assure you, Mr. Chairman, that it is the desire of every good citizen in Canada to cooperate with the present Minister of National Defence (Mr. Ralston) in

his work. But it is right to point out to him that Canada was one of the countries which took a leading part in urging Britain to scrap the finest army, navy and air force the world ever saw. For many years past Canada has supported the babble of the pacifists. It is unfortunate that the minister has not before him at the present time a proper national registration and survey. Although he is a very able minister, a good soldier and patriot, and a great Christian gentleman, he is unprovided, as he starts work with any survey of the man-power of this country. No mere division or subdivision of departments can cure that defect now; it is too late.

The people of Canada have been criminally negligent in matters of defence. They have simply not taken it seriously. Canadians from coast to coast, led by pacifists in and out of the house and by some of the pacifist press of the country, thought that Canada had all eternity to prepare for this war and to organize her man-power, her naval power and her air service.

What are the facts regarding this department? In my opinion the present Minister of National Defence should be supreme in this department. I sympathize with the Prime Minister (Mr. Mackenzie King) and the cabinet in their work. I believe it is the duty of us all to unite and cooperate with them with a view to the maximum of unity and the minimum of criticism, and in any remarks I make during the next three or four minutes my single aim is to be constructive.

I do not know what is going to become of the new army to be raised by the former minister of agriculture (Mr. Gardiner). He is one of those who for many years supported pacifist doctrines. When I raised in the house this question of a register, what did a number of professors say? I mention this because it concerns the main question with which the minister has to do—the question of man-power. We might have had an army from coast to coast of six hundred thousand men, operating under a voluntary system, if the government had supported at that time the proposed system of registration. It would not have been difficult to get recruits when there were three or four hundred thousand young men out of work, many of them riding the rods.

One of the main hindrances the minister has to combat is the pacifists in Canada. I hope the time is coming when no more pacifist professors and judges will be brought down from the prairie; we have had enough of them in the past. Addressing a meeting of students in the university of Saskatchewan, two years ago, about the time that I moved for a national compulsory register of man-power, one of the professors said:

The British empire is not worth fighting for.

The dean of arts of Alberta university at the same time declared that Canada should consult Washington rather than London in matters of defence policy. He favoured frank conferences at Washington rather than fiddling with someone in London.

It showed how the pacifists depended on pan-Americanism and such shams as the league and collective security. One of the main things the minister needs to do is to put a stop to all this pacifism. The other day the Witnesses of Jehovah were banned as an illegal organization. What is to become of these pacifist professors and the pulpit preachers, some seventy-four of them, who signed a "Witness against War"? There was some correspondence with the Ontario government as to action against them but nothing was done. Man-power is the main consideration in this country at the present time, and you are not going to get people to enlist so long as these pacifist organizations are free to persuade the youth of this country, including those at the universities, to fight the law and not to do one's duty to one's country and defend it at a time like this.

Coming to the question of land services, I believe that this bill repeals one of the statutes already passed and assented to this session in another place. It is now intended to substitute this bill, of which sections 2, 3 and 4 are the binding clauses. Definitions are given; and the government may, under the War Measures Act—"may" is the word used—create additional ministers who are called associates. I believe that these associates for the navy and the air are somewhat like under-ministers are in the old country. I believe there will be some conflict of authority, although I desire to support all these ministers, including a minister of information as well.

When the war broke out all the members for the Toronto district received a letter from the late minister of national defence, who met such a tragic death, and from his predecessor, who did a great deal of good work at the start in organizing mechanized units, to the effect that they desired our cooperation in Toronto. I wish to state that since the war started we, the members of that district, have never had any invitation from the officers or heads of that military district to take part in assisting the department's effort. In my opinion there should be an immediate shake-up in that district, the greatest recruiting district in Canada, to get the maximum of effort.

In conclusion I would say just a word regarding the air scheme. As we are too late on land, now we are too late in the air and in the naval service. When the scheme was brought

forward in 1937 I supported it. At that time there were two or three visitors from the old country. It is a funny thing: anybody could come here from the United States preaching pan-Americanism and he was received with éclat. But when anyone came here from the old country and offered suggestions, as Lord Jellicoe did in connection with providing more destroyers for the greater protection of this country on the Pacific, they were criticized in the press from coast to coast because it was thought they were criticizing the government of Canada and were from Britain; yet they were right in urging that we be prepared and cooperate with Britain.

Three years ago, during the discussion of the estimates of the Department of Labour, I suggested that we should have a national scheme under which unemployed young people, of whom there were three or four hundred thousand at that time, might learn a trade, receive military training and be given pocket-money, clothing, food, lodging and deferred pay. At the end of their period of national service apprenticeship they would be in a position to become air mechanics or pilots, or to enter into the different branches of the aircraft industry, or into six or seven key industries. I also proposed then, and later, that we should have a survey made of all manufacturing plants, large and small, including those connected with the automobile and agricultural industries, with a view to preparing for war, but nothing was done.

I should like to pay tribute to the type of recruit that is representing Canada on land and sea and in the air. These men are writing a glorious new chapter of courage and chivalry at the present time. They are magnificent young men of nineteen, twenty and twenty-one, many of whom entered the service at considerable personal expense, and they have been carrying on in a manner worthy of the best traditions of the last war. At the outbreak of this war it might have been said that Canada had to depend on the mother country for defence by sea. Lord Jellicoe recommended that certain things be done at Halifax and Vancouver, and the Singapore base for Pacific protection, but the government of the day did not accept his recommendation, and as a result we are still completely dependent on the mother country for protection as we were years ago on land and sea, and in the air. In 1931 we undertook to look after the protection of our ports and coastal waters for three miles out, but in my opinion we are not able to do so under the statute of Westminster. We have splendid men in our Canadian navy, men prepared to live up to the best traditions of the Royal Navy, but they have been handicapped by lack of proper ships and equipment. We are a nautical people; we lead in all aquatic sports; we should be training fifteen or twenty thousand men yearly for the Royal Navy and merchant marine because, as I have said before, when Great Britain entered this war she had 2,000 fewer ships to carry troops than she had at the outbreak of the last war.

I do not like this system of dividing the department into groups. Mere divisions will not amount to anything; everything will depend on the men administering the departments. I am sorry for those who are in charge at present, because it will take two years to train men and nearly two years to equip them properly. However, I do wish the government every success in the work they are undertaking, and I know that if they have the courage to go forward and give us a real war government, they will have the united support of the people of this country from coast to coast.

Mr. RALSTON: I might say just one word in reply to my hon. friend's remarks concerning conflicting authority. He is perfectly right in raising that question, because under the broad powers of the act there might be difficulties as between the minister and the associate minister. I am sure, however, that no such difficulties will arise between the proposed associate minister and myself. It is of the utmost importance to the department to promote continuity of administration and to have the benefit of the experience of my colleague, who has agreed to undertake this work in addition to his other duties. With regard to conflict of authority, however, I think I can make this statement, which has been agreed upon by my hon. friend and myself and that is that as far as the public and the staff are concerned, whatever is done by my colleague is to be taken as done with the same authority as though it were done by the minister himself, and the government of course must take the responsibility. Any division of duties, or any delegation of duties, will be a matter between my colleague and myself; that is to say, we will make that arrangement and will simply stand by each other, with the ministry being responsible in the end. I am satisfied that there will be no conflict; and it was because I know my hon. friend as I do that I asked him to take on this important assignment.

I should like to add just one word to what the Prime Minister has already said. Perhaps the words "bottle neck" and "red tape" are the most often used by anyone criticizing any governmental administration. I am not so

sure that either term is warranted. But anyway the appointment of another minister will provide two bottle necks instead of one. That is to say, it is quite possible that we may be working along parallel lines. My colleague might be dealing with the matter of supplies while I might be dealing with training, or vice versa, and these matters would not have to be referred from one to the other. We shall have our consultations between ourselves, and I can assure my hon. friends that when they are given a decision by either my colleague or myself they can depend upon it that the other will stand by that decision.

You will note also, Mr. Chairman, in subsection (2) of section 3, that the associate minister is given the powers of the Minister of National Defence unless the governor in council otherwise directs. So far as I am concerned—and I think I can say this for the government—it is not proposed to impose any limitation under that section as far as the appointment of my colleague the Minister of National Defence for Air is concerned; but that provision is inserted so that if a time should come when a new minister had to be appointed, and it might be desired to impose some limitation on his authority, then that can be done in the order in council.

Mr. GREEN: As I understand it, the main purpose of this bill is to provide for a Minister of National Defence for Naval Services, and in that connection I think it would be only fair both to the house and to the country if the government would give us some idea of their plans for the Canadian navy. Within the last week or two we have lost one of our destroyers, with quite a large loss of life, and the Canadian people at this moment are much more interested in the navy than they have been for many years. Coming from one of the coast provinces, the question of the Canadian navy is of great importance to me as it is also to the other members from those provinces. The present position is that we have only six destroyers left and apparently some smaller boats. The two coasts of Canada are in far greater danger now than ever before. The announced policy of this government during the last two or three years—the Prime Minister will correct me if I am wrong—has been that Canada alone should be responsible for the protection of her ports, for protection against raids and minor attacks, and for the protection of our shipping for at least a reasonable distance from our shores.

Mr. MACKENZIE KING: Not alone but as a first duty.

Mr. GREEN: It is quite obvious to everyone that our fleet, as it stands at present, is not sufficient for these purposes. Apparently there is some intention of expanding it; otherwise it would not be necessary to provide for a separate minister. Although I do not ask the government to give any information which should not be disclosed, I would ask them to tell us within such bounds what they plan for the navy. For example, have they in mind the taking over of any of the units of the French navy, as has been suggested in different parts of Canada? Then, a further question: Have they in mind the construction of any warships in Canada? At the moment we cannot build any warships, not even destroyers, and I think it is time we made plans to put ourselves in a position where we could build at least these smaller war vessels. Then, are we taking steps thoroughly to modernize in every way our two great ports of Halifax and Esquimalt, so that they could service any type of warship?

I should like to have information from the government respecting these questions, and would remind them again of the report which Admiral Jellicoe made in 1919, at a time when he headed a naval mission for the Canadian government. His recommendations will be found in these words at page 10 of chapter 1 of his report, beginning at paragraph 4:

> The question of the naval forces required by Canada may be viewed in two ways: first in the light of Canada's own requirements, and Canada's own safety; and secondly, in the broader light of the security and safety of the empire as a whole. The naval force suggested as adequate purely for the protection of Canada's trade and Canada's ports under the conditions assumed, comprises—

And I would point out to the committee that this is what he recommended as a minimum for a Canadian defence navy.

> —three light cruisers, one flotilla leader, twelve torpedo craft, eight submarines, with one parent ship, and certain auxiliary small craft for training purposes, et cetera.

Would some member of the government tell the committee what the plans are?

Mr. CHURCH: And he recommended the Singapore base for Pacific protection.

Mr. MACKENZIE KING: I think, Mr. Chairman, that as we are about to appoint a minister of National Defence for Naval Services, it would probably be appropriate and preferable that the new minister to be appointed should be the first one to make a statement respecting that particular matter to the house.

Mr. GREEN: He will not be in the house.

Mr. MACKENZIE KING: That is true, but he would be in a position to prepare a statement to be given to the house. I might say I would hesitate very much, knowing the present situation, to attempt at this time to say very much about naval affairs on either the Atlantic or Pacific coasts. I think it would be the most indiscreet thing that could possibly be done. I do not mention that as a means of evading the question my hon. friend has asked or of evading the giving of the information he has requested. To answer his question I believe we would require a very carefully prepared statement by the Department of National Defence itself. Whether that statement should be given openly, or whether it should be disclosed to hon. members in another way, would have to be carefully considered.

My own opinion is that particularly in respect of naval affairs at this time, such information as we have to disclose ought to be given in confidence to members of the house, rather than given to the public generally.

Mr. GREEN: Does that mean a secret session?

Mr. MACKENZIE KING: Not necessarily; but it could be, if that were desirable. All hon. members would, I think, be prepared to admit they would like to see larger defence forces on our Atlantic and Pacific coasts than we now have. If I wanted to explain the reasons why the forces are not more adequate I would have to go back into the history of past political controversy.

Mr. GREEN: What about the last two years?

Mr. MACKENZIE KING: Frankly, I think the greatest mistake ever made in respect of Canadian defence is that the policy of a fleet unit on the Atlantic and on the Pacific coasts, which was the policy of Sir Wilfrid Laurier when he went to the country in 1911, was defeated. If the naval policy of Sir Wilfrid Laurier had been carried out we would have had, and before the last great war, a fleet unit on the Atlantic and on the Pacific composed of a battleship on each coast, cruisers, destroyers and submarines, complete, as was done, for example, in Australia.

Mr. GREEN: Why could that not have been done between 1921 and 1930?

Mr. MACKENZIE KING: If my hon. friend wishes me to answer that I would say it could not have been done for much the same reason as that which brought about the defeat of the Laurier administration, when its naval policy was made a political issue of that day. However we are not likely to get very far to-day by discussing these old questions.

I repeat that what I would have liked to have seen would have been a complete fleet unit on the Atlantic and on the Pacific. I think it is a sound policy. It is a policy which certainly I did all I could to advocate at the time, and have advocated ever since. But in considering defence matters in these recent years the governments of the day, regardless of which party has been in power, have had to consider what they could do in the light of the opinion of the people of Canada generally through those years. And my hon. friend knows as well as I do that while there were many things many of us would have liked to do, we could not have obtained support in parliament or in the country to do some of those things in the years to which he has just referred. We are beginning to see now that it would have been more fortunate for all of us had some lines of action been taken earlier than they were. It is easier to be wise after an event, than to be wise before it occurs.

Mr. GREEN: I did my best to urge it on.

Mr. MACKENZIE KING: Returning to my hon. friend's question respecting the position of our defences from the point of view of sea defence: As he knows the Canadian government has been asked by the British government to send part of our defence fleet across the ocean. Four of our destroyers, until one was lost, were in British or European waters, and for some time past have been in British waters. We took this action of sending these destroyers overseas at the instance of the British government to carry out what was represented as the most helpful form of cooperation in meeting the critical situation with which the United Kingdom was faced at the time.

Steps have been taken to meet the weakening of our own defence force, as a consequence of the destroyers going overseas, but I would not wish to disclose at the present time what those particular steps are. All I can say is that the matter had better be left to be answered by a carefully prepared statement from the defence forces themselves, to be given to hon. members in a manner which at the time may seem most expedient.

Mr. GREEN: The observations of the Prime Minister lead me to another matter. I am quite confident that the government would be particularly assisted in their war effort if they made provision for small committees of the house to deal with military matters and

questions respecting naval and air activities. Many hon. members have considerable knowledge of the problems confronting the different departments of government dealing with our war activities. The work of those committees could be carried on secretly; there would be no need to have any publicity in connection with what was done. They could sit between sessions and, if necessary, could go from one coast of Canada to the other, or even to Great Britain. In that way private members of parliament would have some idea of what is going on. I must say that at the present time members both on the government side and on the opposition benches have very little knowledge of what is happening, and I believe, if they were given an opportunity, they could make useful suggestions and give great help in conducting Canada's war effort.

At the beginning of the session the Prime Minister suggested the setting up of a committee on military affairs, but the idea was dropped. I would ask him to reconsider the plan, because I am convinced that committees of that type could render a real service to Canada under present conditions.

Mr. MACKENZIE KING: As the hon. member has just said, when parliament met I did have on the order paper a motion which was intended to do the very thing he has suggested, namely to establish committees which would have power to bring before them officials of the department of National Defence who could give information which it might be thought might not properly be given on the floor of the house. It was indicated however at the time that that was not the best way to proceed. This was so expressed, I believe, from the opposite side of the house. I withdrew the motion and, as a matter of fact, was, if I recollect aright, applauded for so doing. I still believe however that my hon. friend is right when he says that committees of the kind would be helpful. My mind is quite open on the matter, and I shall be glad to discuss the subject anew with my colleagues.

Mr. CHURCH: I should like to ask some questions based upon the last remarks of the Prime Minister. Has the present Canadian government any commitments or understanding with Washington regarding the naval protection of the Pacific and Atlantic coasts of this country? Two years ago I called the attention of the Prime Minister and the Minister of National Defence to this matter. At that time we were discussing a defence vote to cover the naval protection of the Pacific coast from Puget sound to Queen Charlotte islands, 600 miles up the coast. It was stated that this outlay for the defence of the Pacific was to protect Canada's neutrality should the United States be attacked by a foreign power. That foreign power was not named, but the country referred to is well known.

I should like to know also what stand Canada took at the last imperial conference in connection with the Singapore base and the empire shipping scheme which constitute a protection for Canada in the Pacific and for the empire.

The hon. member for Vancouver South (Mr. Green) asked for certain information. This information is given quite openly in the British House of Commons by the First Lord of the Admiralty without any secret sessions or committees. Answering a question the other day by Sir William Davison, the First Lord of the Admiralty stated that the statute of Westminster provided that each dominion should protect its coastal waters for three miles out. Outside the three mile limit, the Admiralty would assist in any defence measures to the best of their ability against the German peril.

Mr. MACKENZIE KING: A minute ago I said something about indiscreet replies; I think I ought to say something to my hon. friend about indiscreet questions. I cannot imagine myself giving a "yes" or a "no" to the question asked by my hon. friend. Regardless of what reply I made, it would be entirely misunderstood and misinterpreted, not only in this country but much more so in the country to the south. I therefore ask my hon. friend not to press his question any further.

As to what took place at the imperial conference with respect to the Singapore base, I have a recollection of discussions on the subject at imperial conferences I have attended in London. I recall the matter came up in 1923 and I think again in 1926, and I am sure it has been discussed at other conferences since that time. I do not at the moment recollect whether it came up at the last conference in 1937. If my hon. friend will place his question on the order paper, I shall be glad to give an answer to it if it is possible for me to do so. Before disclosing the information requested I would wish to communicate with the British government and obtain their consent to any disclosure.

My hon. friend's next question had to do with the obligation of Canada in connection with our coastal defence. I am sure this whole matter is set forth in the report of the last conference. The imperial conference of 1930 decided that each dominion should undertake the defence of its own coasts as a first obligation, and that there would be cooperation between all parts of the empire in defence matters, as a second obligation.

Mr. NEILL: The hon. member for Vancouver South (Mr. Green) has been asking about the policy of the government in connection with naval units on the Pacific, and also what the policy of Canada had been in the past in this connection. We have been told that in 1911 the policy of Sir Wilfrid Laurier was to have quite an extensive naval unit in the Pacific. Reference was made to a battleship, destroyers and the necessary smaller boats that would accompany such a unit. If the hon. member for Vancouver South wants to inform himself as to what has been agitated in the past in connection with Pacific coast defence, he will find that in 1924 or 1925 I introduced a resolution urging the government to take definite and active steps toward providing more naval protection on the Pacific coast. I did not suggest anything as extensive as that indicated by the Prime Minister as being the policy in 1911; all I asked for at that time was a destroyer or two. The matter was debated for the usual length of time, about a day, but it got no support whatever from the government side, the Liberal party. The only support from the party to which the hon. member for Vancouver South belongs was from Mr. Tolmie, later premier of British Columbia.

Mr. GREEN: That was long before I got here.

Mr. NEILL: He only damned it with faint praise. If the hon. member looks up the record at that time he will find how unwilling, not only one section of the house, but the whole house was that anything of that kind should be put into effect, the need for which I foresaw and advocated at that time.

Mr. MacINNIS: I should like to say a few words on this bill, but they will not be by way of criticism, either of the bill or of the government. What I am going to say is just my own thoughts, but I believe the same point of view is held by the members of the group to which I belong. In the first place, I think we should get away from talking about what took place in the past. That sort of thing is not going to help us at all because to-day we are facing a situation which is altogether new and which no one could foresee. I remember when I held the opinion, although perhaps not as strongly as some of my colleagues, that there was no necessity for Canada arming to any extent because of our proximity to the United States. It was said that the United States would not permit Canada to be invaded or attacked. To-day we find that the United States is disturbed because the means of protection to which they looked in the past, the British navy, is now occupied in another quarter. They are disturbed because the British navy is being kept close to Europe. The United States finds it necessary to keep its naval force in the Pacific, and the Atlantic coast is not protected.

These are conditions which no one could foresee two or three years ago. I imagine what the government has in mind to meet the present situation is that we must build up the military and economic defences of Canada to the greatest possible extent, and cooperate with the other parts of the British empire. At the present time we are about the only democratic country, outside the United States, left in the world. I believe that to-day we have the cooperation of the United States to a greater extent than we realize, and I feel that this cooperation will be greater and more complete as time goes on. If we can hold off the aggressors for some time we shall be able to increase our own strength, and that holding off will bring us other friends and in that way our task will be made easier. But for a considerable time the defence of democracy will require all the resources and strength which Canada and the other parts of the British empire can muster. New situations will arise from day to day and we shall have to face them as they come. Our policy cannot be a rigid one; it must be elastic to meet conditions as they develop. But one thing at least has been driven home to us: isolation as we thought of it in the past is no longer possible. Just what form of international security we shall have after this war is over, I do not know, but we shall have to prepare for some form of international cooperation to the end that we may have national and international security. Something of that nature will be necessary if we are to avoid a war every quarter century or so.

Section agreed to.

On section 2—Definitions.

Mr. GREEN: May I ask the Minister of National Defence whether recruiting for the active service force has been proceeding as satisfactorily within the last few weeks as was expected?

Mr. RALSTON: I do not know what was anticipated, but the reports that I have had are that for the week or two about which I know, enlistments have been in the vicinity of 1,000 a day. I would say that is very satisfactory.

Mr. GREEN: Is the minister in a position to give us the total number now under arms?

Mr. RALSTON: I always hesitate about giving the number of troops under arms, but I have indicated that there are about 76,000 in Canada and near to Canada.

Mr. BROOKS: Does that 76,000 include the men who are under training in the militia, or is it active service only?

Mr. RALSTON: Recruited for Canadian active service force. My hon. friend will know that a slight deduction has to be made from that number when we are talking about the Canadian active service force for service overseas, because there are certain detachments of the non-permanent militia units which were called up for coastal defence and which, although they are receiving Canadian active service force pay, were not recruited for service overseas, but the number would not at a guess amount to more than 2,000 or 3,000. The great bulk are recruited for service at home or service overseas.

Mr. GREEN: The minister has announced this afternoon that there was to be a call for another 40,000 men, and this large number of men will require commanders and staffs. In the main, commanders for the second division were not appointed until several months after the majority of the men had been recruited. Is it not possible to select the senior officers now and have them sent to England where they can find out something about the kind of warfare being waged at the present time, rather than wait for some months until the men are all recruited and then be faced with the necessity of building up a staff?

Mr. RALSTON: I can assure my hon. friend that I am very much alive to the arguments made in favour of that suggestion, and I would be inclined to feel without having had the opportunity for much consideration that that would be the proper course to pursue. The objection as to how many should be sent overseas for instructional courses is another matter, but as my hon. friend knows, in connection with the second division, very large numbers of officers, and not necessarily senior officers, but officers particularly of specialist units and detachments, were sent overseas, and we have at the present time in England quite a number of the second division personnel taking instructional courses.

Mr. HANSON (York-Sunbury): I hesitate to speak at all with reference to military organization because I realize that, being ignorant, it is probably wiser for me to keep quiet; but one occupying my position finds himself continually plied with suggestions, indeed, almost instructions as to what he should do in a case of this kind. Heretofore I have not done very much about it beyond communicating to the minister now and then a letter from somebody; but what is being urged on me—and I think I should speak of it—is that the chief officers of the third and fourth divisions should be appointed now in advance of the recruiting. This may be all wrong; I do not know. But that is what is urged on me by those in whom I have confidence and who know. They say the reason is this, that all the trained non-commissioned officers have been absorbed into the other divisions and been taken overseas, and that there are no sergeant-majors and similar officers left to train the new recruits. It is urged upon me that the officers of the third and fourth divisions should be appointed now in order that they may assemble a skeleton instructional staff to train the new recruits when they are sworn in. It seems to me there is some sense in that view. I may be wrong, but that is the view that is being urged upon me. It may be the reverse; the cart may be before the horse, but to a logical mind the argument seems to have force. No doubt it has been urged upon the minister as it has been urged upon me. He and his officers know a thousand times more about these things than I do, but I pass the suggestion on to him for such consideration as he may see fit. I would ask the minister, is it foolishness or is it common sense?

Mr. RALSTON: I can tell my hon. friend that some at least of those in whom I have confidence tell me that it is far from foolishness.

Mr. HANSON (York-Sunbury): I am glad to hear that.

Mr. RALSTON: I am giving serious thought to that question. As a matter of fact, I have already on my desk a slate awaiting approval.

Mr. HANSON (York-Sunbury): I am glad I mentioned the matter.

Mr. BROOKS: The Prime Minister stated that he wanted an associate minister for the Minister of National Defence to give him an opportunity to visit different parts of Canada. I think it is an excellent idea that the minister should have an opportunity of gaining first-hand knowledge in different parts of the country of enlistments and what the requirements are. I believe it would give more confidence to the people throughout Canada.

With regard to the 40,000 men who will be raised in the near future, are they to be placed in militia units already constituted, or will new units be created to take care of the new recruits?

Mr. RALSTON: I cannot give my hon. friend a detailed or perhaps an intelligent answer. They consist in large part of what we have called the fourth division; that is to say, divisional units of the fourth division

other than infantry battalions. That is one part. Another part will be the reinforcements which are necessary, and they probably will not be from any particular unit. Another part will be more infantry battalions. I am not going to identify them as being infantry battalions of the fifth division, not that I have any fears with regard to a fifth division, if such a formation is found best suited to our needs, but having regard to the variety of duties which they may be called upon to perform, I think it may be better not to identify them with a particular divisional unit at this stage. It is quite possible that duties in Canada may not make it possible to use them as a division, but I can assure my hon. friend that the foundation of these units will be the present militia units or new ones now being worked out by the officers.

Mr. BROOKS: Are sufficient militia units organized now to take charge of these enlistments, or will new units have to be organized?

Mr. RALSTON: I do not know whether there are enough specialist units, which is perhaps the most important thing.

Mr. DOUGLAS (Weyburn): I think it is desirable to keep the different detachments of the Canadian active service force closely related to the area in which they were recruited. That would do a great deal to promote recruiting. As the minister knows, I have discussed some aspects of this matter with the officials of his department. Take the South Saskatchewan regiment, which was allocated to the second division last fall. The barracks were set up in Weyburn. A committee was organized, comprised of private citizens who voluntarily gave their time and spent a good deal of money raised by public subscription in that district, to go through southern Saskatchewan for the purpose of recruiting. They did an excellent job. They travelled thousands of miles, put up posters, organized recruiting committees in small villages and hamlets and interviewed young men who might be possible recruits. Since there was no train fare for them, the committees drove these young men and brought them into the recruiting centre or in some instances paid their farces out of funds raised by public subscription. As I say, they did an excellent job to help to bring the regiment almost up to strength. The government spent $7,000 in fixing up the building for a barracks and spent $5,000 in rent. The regiment has gone to camp at Shilo, Manitoba, and now the recruiting committee is informed that the barracks will not be used as a military depot.

Mr. RALSTON: Does the hon. member say it is not going to be used?

[Mr. Ralston.]

Mr. DOUGLAS (Weyburn): It is not going to be used as a military depot for the South Saskatchewan regiment. This is the problem. First, the regiment is not quite up to strength and it wants recruits. Second, young men in the southern part of Saskatchewan, particularly the southeastern part, who are desirous of joining the South Saskatchewan regiment, have to go to Regina in order to join up, and they may be sent to some other unit. Naturally they want to go to the unit in which their friends or brothers or other relatives are already enlisted.

Mr. RALSTON: They go to a general training centre

Mr. DOUGLAS (Weyburn): Yes, and they would like if possible to continue going to a unit set up for the South Saskatchewan regiment, knowing that they were being sent as replacement troops for that regiment, instead of going to some general training centre and being liable to be sent to some other unit. The minister will agree that there is a psychological value in men knowing that when they enlist they will be sent to the unit in which a large part of the personnel is drawn from the same locality as themselves, so that there will be some continued association with home.

Not only has what has happened had a bad effect on recruiting; it has had an unfortunate effect on the district. Here were committees set up working for the purpose of furthering recruiting. Here was a regiment in which the men had some pride, in which sons and friends had become members. Now its connection with the locality has been cut off and no military reason has been given. There is a feeling that the reason is not military but something else. The minister has just taken over his post and I do not want to bother him with small matters, but I do urge that at the earliest opportunity he should give serious consideration to this matter and see whether it is not possible to allow men in that district, who wish to join the South Saskatchewan regiment, to have their military depot at Weyburn or at some other point in southern Saskatchewan where they can enlist and be forwarded as replacements to join the regiment in which their friends and relatives are enlisted.

Mr. RALSTON: I shall be glad to take a note of what my hon. friend has said. The barracks were at Weyburn?

Mr. DOUGLAS (Weyburn): Yes. The international harvester building was altered at a cost of $7,800 and fitted up as barracks, and it is one of the finest barracks in Saskatchewan.

Mr. RALSTON: The hon. member wants us to see that men who wish to join the South Saskatchewan regiment, in so far as there are vacancies, may join up with that unit rather than be taken to a training centre to be sent to some other unit.

Mr. DOUGLAS (Weyburn): Yes. They can go down to Weyburn, join up and be forwarded to the unit in which their friends and relatives are enlisted.

Mr. RALSTON: It sounds so simple that I am sure there is a catch in it.

Mr. DOUGLAS (Weyburn): It is precisely because it is so simple that there is a general feeling that there is some reason other than a military one why it is not done.

Mr. HOMUTH: The other day the minister brought down a substantial budget—

Mr. RALSTON: I am trying to help spend it.

Mr. HOMUTH: Well, we spent the last two days trying to digest the new taxes. Under this bill and under similar measures we are building up a tremendous force of new civil servants. I realize that they are only for the war period, but a great many of even our dollar a year men are subject to the remark I am about to make. Every one appreciates their action in offering their services, but these men have come from the most ornate offices where, in most instances, they have sat behind highly polished mahogany desks, with nice rugs on the floor and so on. I know something of the furniture that has been ordered by the Department of Munitions and Supply. For example, some of the most highly priced leather upholstered chairs and other pieces of furniture of that sort are ordered. We ought to be very careful in our expenditures in furnishing these temporary offices. I say that seriously because we are asking the people to contribute money as they have never done before for war purposes. Let us therefore make sure that most of the money goes into the war and not into the furnishing of ornate offices for temporary employees. There is a tendency on the part of the men who are ordering these articles to get such furniture, and the practice they have followed for a long period of years under different governments has been to order the very best. In ordering furniture for these temporary offices for the duration of the war we should be careful and frugal in our purchases. I say that because I know something of some of the articles that are being purchased.

Mr. MACKENZIE KING: My colleagues and I are in entire agreement with my hon. friend, and we are doing what we can to see that the suggestion he has made is carried out in practice.

The CHAIRMAN: I would point out that much of the discussion has hardly been relevant to the sections of the bill. However, I have given as much latitude as possible. We are now on section 3.

Mr. GREEN: Will the minister tell us the number of ex-service men who can be taken on under the present plans? I believe there are only the home guard and what is known as the veterans' reserve. Could he give us the establishment of these two forces? I suggest most seriously that every returned man who volunteers should be taken on in some unit or another in order to build up a reserve of veterans of the last war.

Mr. RALSTON: My hon. friend will remember that my late colleague announced that there were 12 companies of 250 each originally authorized for the home guard, which gave veterans the opportunity for full time soldiering. That has been increased to fifteen, and I am prepared to go further as occasion requires. Yesterday I was talking with the district officer commanding in Toronto, and he said he had applied for some more. There have not been, however, as many enlistments in the home guard as one would have expected. As the need is indicated and more qualified men wish to go into the home guard, I shall endeavour to see that the authorization is given. I think my hon. friend will agree with me when I say that we should like our comrades, if they are physically fit, to enlist in the Canadian active service force direct, because it helps the Canadian active service force very much to have what I might call the stiffening of men who have had previous experience overseas. So I am hoping that all veterans will not go to the veterans' home guard, but that many of them will join the Canadian active service force. I need hardly express that hope, because they have joined already in very large numbers.

With regard to the veterans' reserve, as I remember it, my late colleague did not mention any figure with regard to the establishment, and as far as I know there is not any limit.

Mr. GREEN: I believe he said, nineteen companies. I am not sure.

Mr. RALSTON: As a matter of fact, that is really a provision for training veterans similar to the non-permanent active militia. There again I hope that as far as possible the veterans, notwithstanding the desire to get together, will go into the militia in order to

assist in the training and encouragement of the new soldiers who are coming along. As far as I am concerned, there is at the present time no limit to the number who, if they qualify for that purpose, can be recruited to the reserve.

Mr. GREEN: Is there any restriction against a man obtaining a commission? I understand that, for example, unless a man from the ranks has matriculated he cannot be given a commission. Is that a fact, because to me it seems unreasonable.

Mr. RALSTON: I may appear terribly ignorant, but I must confess that I do not know. I have not been long at this job and the point has not come to my attention. I shall be glad to make inquiries.

Mr. GREEN: Another complaint is that a married man cannot enlist in the air force for flying service. Does the minister know whether that is correct?

Mr. RALSTON: I shall find out.

Section agreed to.

Section 4 agreed to.

Bill reported, read the third time and passed.

WAYS AND MEANS

The house in committee of ways and means, Mr. Vien in the chair.

INCOME WAR TAX ACT

The CHAIRMAN: Resolution 18 carried. Number 19.

Mr. HOMUTH: The minister said he was going to give consideration to the request made yesterday with regard to guest children, so far as the Income War Tax Act is concerned. Is he now prepared to make a statement?

Mr. ILSLEY: That matter was to be dealt with when the bill came before the house. I am not just clear where we are, Mr. Chairman. We are dealing with resolution 18, and we were dealing with it yesterday paragraph by paragraph. I believe that hon. members would prefer to continue to deal with it in that manner. I propose to offer an amendment to paragraph 8 of resolution 18.

The CHAIRMAN: Shall paragraph 1 of resolution 18 carry?

Paragraph agreed to.

(2) That every employer be required to deduct the tax imposed in respect of earnings of the employee earned or accruing due during and after July, 1940.

The CHAIRMAN: I must remind hon. members that the discussion last evening of resolution 18 covered a great deal of territory which is included in the various paragraphs. For instance paragraph 2, with respect to the employer being required to deduct the tax imposed, has been fully discussed. Therefore we are now at paragraph 3.

Paragraph agreed to.

(3) That every employer remit the tax collected at the source on the sixteenth day of September, 1940, and on the fifteenth day of each month thereafter.

Mr. LOCKHART: I was discussing briefly a matter which might come under that category, regarding remitting the tax, and I asked the minister to rule on it.

Mr. ILSLEY: The hon. member did ask me to rule on a certain case and I was not prepared to do so. I suggest that he take up questions like that with the commissioner. There will be a number of these difficult questions upon which the commissioner will be better qualified to give a ruling than I, especially on the floor of the house.

Mr. LOCKHART: I shall be glad to do that.

Paragraph agreed to.

(4) That incorporated companies paying interest on bonds or other like obligations registered as to interest, or paying dividends, irrespective of the amount to persons on record in their office or that of their agents, be required to deduct and collect the taxes imposed from each payment made to residents of Canada, paid in the case of interest, and declared and paid in the case of dividends, after the twenty-fourth day of June, 1940.

Mr. HANSON (York-Sunbury): Would the minister just state what the implications of that section are. It relates to this national defence tax?

Mr. ILSLEY: This has to do with the national defence tax. That tax is on all income, and there are only two or three ways in which it can be collected at the source. One is from employers; another is from the head office of companies.

Mr. HANSON (York-Sunbury): This has to do with registered bonds?

Mr. ILSLEY: Yes, and dividends. There will be many cases where it will not be possible to collect the national defence tax from anybody but the taxpayer himself, but there are two or three cases where it is practicable to go to the source. This is one of the cases.

Mr. HANSON (York-Sunbury): I did not quite appreciate, when I read it, all that it meant. That is to say, if I am the registered owner, of shares, let us say in a telephone

company—which I happen at the moment to be—the telephone company will deduct from my dividends two per cent.

Mr. ILSLEY: Yes, that is correct.

Mr. HANSON (York-Sunbury): And of course I shall get some credit for that when I am making my returns.

Mr. ILSLEY: Yes, it will be adjusted.

Mr. HANSON (York-Sunbury): I can see where there is going to be a great deal of trouble in connection with your bookkeeping and everything like that. It had not occurred to me that this would relate to matters of that kind, but I have no objection. As far as I am concerned, I am going to pay this tax, and everybody else should pay it. I just had not thought the minister was going that far; I thought the deductions were largely confined to wage and salary earners and that sort of thing, but I see he is going as far as he can. Has every case been thought of?

Mr. ILSLEY: I do not think so, but to tell the truth I have not given any particular thought to this matter. I am under the impression, however, that in England they go much further than this.

Mr. HANSON (York-Sunbury): Very well; I have no objection. The national defence tax on dividends, registered bonds and like securities now is to be deducted by the paying company or individual, as the case may be?

Mr. ILSLEY: Yes.

Paragraph agreed to.

(5) That each incorporated company remit the tax collected at the source in respect of interest and dividends on or before the fifteenth day of the month immediately following the date of payment, the first remittance however to be made on the sixteenth day of September, 1940;

Mr. HANSON (York-Sunbury): Suppose a dividend was declared before June 24, payable on July 1, which is a date on which a good many dividends are paid, or perhaps July 15. Will this deduction be made in that case, or only in connection with subsequent dividends?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): Then it really means "declared and paid"?

Mr. ILSLEY: That is right.

Mr. HANSON (York-Sunbury): It has to be "declared and paid." If it is declared before and paid after, the deduction will not be made?

Mr. ILSLEY: That is true.

Paragraph agreed to.

(6) That every person liable to taxation in respect of whom the deductions of the national defence tax on the full income has not been made be required, on or before the thirtieth day of April in each year, to deliver to the minister a return of his total income during the preceding year and pay the tax as in the Income War Tax Act provided;

Mr. HANSON (York-Sunbury): This provides for a return under this act the same as under the Income War Tax Act? Is that the theory of it?

Mr. ILSLEY: No return is necessary if the full amount has been deducted and paid.

Mr. HOMUTH: Then does it not really mean that everyone who must pay the national defence tax will have to send in a return? That would be my interpretation.

Mr. ILSLEY: No. If the whole tax has been deducted at the source and paid, that is the end of it; no return is necessary. Perhaps a refund may be claimed, but there will not be any return.

Mr. HANSON (York-Sunbury): That would be true with respect to a person who has no other source of income.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): But with respect to any person who has another source of income, a return will be necessary? Where is the provision for that?

Mr. ILSLEY: That is the ordinary law in connection with the graded income tax.

Mr. HANSON (York-Sunbury): Will that be the only return he will be required to make?

Mr. ILSLEY: No; he will have to make a return in respect of this tax. It may be on the same form; I should think probably there would be a form sufficient for both purposes.

Mr. HANSON (York-Sunbury): He will have to make that return in some form?

Mr. ILSLEY: Yes.

Mr. HOMUTH: I am still not clear about it. Take the employees in our plant; week after week this tax will be deducted from their wages or salaries. If at the end of the year they are not liable for income tax but only for the national defence tax, they will not have to make a return. Is that correct?

Mr. ILSLEY: That is correct.

Mr. HOMUTH: My impression was that everybody who came under the national defence tax had to make a return.

Mr. ILSLEY: That is not correct.

Paragraph agreed to.

(7) That the national defence tax be applicable to the income of 1940 and all subsequent years except that in respect of the income of the year 1940 the tax shall be imposed only on one-half of the income if the income for the whole year exceeds the relevant amount specified in resolution No. 18 (1);

Mr. HOMUTH: I wonder if the minister will clarify that paragraph.

Mr. ILSLEY: It simply means that the tax applies only for the last half of the present calendar year.

Mr. HOMUTH: That is, those who instead of paying the national defence tax each week turn in at the end of the year their income tax return on which the national defence tax will be imposed, will have that defence tax imposed only for the last half of the year?

Mr. ILSLEY: It applies to everyone. The national defence tax applies only to the income received in the last half of the year 1940.

Mr. STIRLING: But will the exemption of $300 apply then? Take the case of the workers in the agricultural and fruit-growing districts of British Columbia. They work for a certain time picking a particular variety of fruit; then they move on to some other district, where they are employed by some other person. During the course of the season they may make three or four of those moves. Each employer takes note of the fact that he has deducted so much money from the wages of these men. Eventually, somehow or other, those operatives are going to appeal for a return on that tax. Will they do so through local officers, through the Vancouver office or through the Ottawa office; and how is it supposed that they will be able to give an address to which a cheque can be sent?

Mr. ILSLEY: The procedure will have to be worked out. When they apply for a refund they can give an address and the money will be sent on if they are entitled to the refund. By the way, I think when I said the tax would only apply to income for the last half of 1940 I should have said that it would apply to half of the income for the whole year 1940.

Mr. STIRLING: To which an exemption of $300 will apply?

Mr. ILSLEY: There is no exemption of $300. It is put on a yearly basis and half the tax payable for the year must be collected. That is to say, if a person does not earn $600 in the year 1940 he is not liable to the tax. If he does earn $600 in the year 1940 he is liable for half the tax that would be payable if he paid for the whole year. You apply the rules applicable to the whole year, which are very carefully defined here, to the income for the year 1940 and then divide it by two, because it is intended only to take half the tax for this year.

Mr. JACKMAN: If a man were to receive, say $2,000 a year as a salary, and if it were the custom of that particular business to give a bonus at the end of the year of, let us say $500, does he pay on half the amount for the current year 1940—that is, $250—or is the tax on the $1,000, which represents the salary from July 1 to December 31, plus the year-end bonus?

Mr. ILSLEY: It depends upon the year in which the $500 was earned. If it were earned within the year 1940 the man's income for that year would be $2,500. The tax is calculated accordingly, and he pays half.

Mr. JACKMAN: It is earned as part of the year's effort, but it is only payable at the end of the year.

Mr. ILSLEY: Yes.

Mr. JACKMAN: But it is properly spread over the whole year, and divided into two, in the application of this tax.

Mr. ILSLEY: I should think that would be part of the 1940 income. The same rules apply to this as apply to ordinary income, and ordinary income tax. There are well established rules for choosing the year to which income is allocated. In that year the $500 bonus would be the income of the year 1940.

Mr. JACKMAN: As I read the resolution, and as I interpret it, the department would take a half year's income for the year in question, and subject that to the national defence tax.

Mr. ILSLEY: Yes.

Mr. JACKMAN: The $500 bonus comes in at the very end of the year. Properly speaking, the man earned $1,250 during both halves of the year.

Mr. ILSLEY: It does not matter whether it is regarded as being earned evenly over the year, or whether it is regarded as being earned in the last part of the year. It only goes to swell the yearly income, half of which is subject to tax. That was the point which I tried to make a minute ago, and on which I corrected myself. I stated rather loosely that it was only the income of the last half of the year which was taxed. I should have said it was half the income of the whole year which was taxed.

Paragraph agreed to.

(8) That the income of the following persons shall not, except as in this resolution provided, be liable to the national defence tax

(a) incorporated companies;

(b) persons and institutions mentioned in paragraphs (a) to (i) inclusive and in paragraphs (p) and (q) of section four of the Income War Tax Act;

(c) members of the Canadian naval, military and air forces shall be exempt from tax while such members are on active service beyond Canada or are on active service in Canada and whose duties are of such a character as are required normally to be performed afloat or in aircraft, but only to the extent of their service pay and allowances.

Mr. ILSLEY: I shall ask my colleague the Minister of Justice (Mr. Lapointe) to move an amendment which is in line with the amendment moved yesterday in connection with the Income War Tax Act.

Mr. LAPOINTE (Quebec East): I move:

That resolution No. 18 be amended in sub-paragraph 8 by striking out sub-paragraph (c) and substituting the following therefor:

(c) Commissioned officers of the Canadian naval, military, and air forces, while such officers are on active service beyond Canada, or are on active service in Canada, and whose duties are of such a character as are required normally to be performed afloat or in aircraft, but only to the extent of their service pay and allowances.

(d) Warrant officers, non-commissioned officers and men of the Canadian naval, military and air forces, but only to the extent of their service pay and allowances.

Mr. STIRLING: Does this mean that the officers of the ground forces of the Royal Canadian Air Force are not included?

Mr. ILSLEY: That is correct.

Mr. STIRLING: But the officers of the Royal Canadian Air Force who are actually flying are exempt?

Mr. ILSLEY: Yes, they are exempt.

Amendment agreed to.

Paragraph as amended agreed to.

Resolution as amended agreed to.

19. That the resolutions numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 14, 15, 16, 17 and 18 hereof shall be applicable to the income of the 1940 taxation period and fiscal periods ending therein and of all subsequent periods.

The CHAIRMAN: I have before me an amendment to resolution No. 19, to which reference was made the other day. It is as follows:

That resolution No. 19 be amended by adding after "5" in the first line thereof the figures and letters "5A" and "5B".

This amendment arises as a result of amendments made previously in the committee.

Amendment agreed to.

Resolution as amended agreed to.

20. That the resolution numbered 10 hereof be applicable to payments made after the 24th June, 1940.

Resolution agreed to.

EXCESS PROFITS TAX ACT

Resolved, that it is expedient to re-enact the Excess Profits Tax Act and to provide:

1. That the option of using rates "A" be deleted, and that the excess profits be the difference between the profits of the year of taxation and the profits of the standard or base period.

Mr. DOUGLAS (Weyburn): Has the minister any information available as to what number of companies elected to come under rate "A", what came under "B", what amounts were collected under plan "A", and so on?

Mr. ILSLEY: There has not been time, really. There have been no elections or returns, so far as I know. The old act applied to companies whose fiscal years end after March 31, 1940, and those companies had four months in which to submit their returns. They have not done so.

Resolution agreed to.

2. That the standard profits be determined with reference to the average profits of the standard or base period being the years, 1936, 1937, 1938 and 1939, except as provided in resolution 5 hereof.

Mr. DOUGLAS (Weyburn): I would suppose that the selection of these four years would work a hardship on some firms and would prove an advantage to others, in view of the fact that certain industries in those four years enjoyed an upswing in business while others were almost stationary or on the down grade.

Mr. ILSLEY: It cannot be helped.

Mr. DOUGLAS (Weyburn): Could there not be a fairer average? Could it not be taken over a longer period?

Mr. ILSLEY: No, I do not think it would be advisable to lengthen the period, or to take more than four years. If we were to make the period longer we would greatly increase our difficulty, because companies change their capital, go out of business, are reorganized, and so on. All those difficulties would be greatly increased if the period were lengthened. Then, if we were to go back to the year 1936, we would be getting back into the depression years, and I should think that would not be fair as a base period on which to erect an excess profits tax.

Mr. DOUGLAS (Weyburn): But the four years the minister is setting are actually depression years for some industries.

Mr. ILSLEY: Well, that may be so.

Mr. DOUGLAS (Weyburn): And perhaps most properous years for others.

Mr. ILSLEY: I may say there is a provision mentioned in these resolutions for depressed industries, industries which were depressed during that period, or for particular businesses within an industry depressed during that period.

Mr. HOMUTH: That is found in resolution No. 5?

Mr. ILSLEY: Yes.

Mr. STIRLING: As I understand it, one part of the work of the board of referees will be to endeavour to average out those years so as to disclose a proper average profit. There are a number of industries which were not so prosperous in 1936 and 1938, but which were more prosperous in 1937 and 1939. Am I right in supposing that part of the work of the board of referees will be to endeavour to bring these earnings on to some sort of an even keel?

Mr. ILSLEY: In the case put by the hon. gentleman, in all probability the average of the four years would be taken.

Mr. STIRLING: There would be no adjustment?

Mr. ILSLEY: The case stated by the hon. gentleman would be regarded as a normal one. The good and the poor years would be taken in order to strike a fair average. What I have said is subject to this: If the situation is abnormal, provision is made for taking an amount different from the average. This is provided for in one of the later resolutions. I do not consider as abnormal the situation described by the hon. gentleman.

Mr. HOMUTH: Are we to understand from the minister that industry is not to be given much of an opportunity to appear before the board provided for by section 5? Many industries lost money in 1936, made a little in 1937, lost money in 1938 and made a little in 1939. There were abnormal conditions generally in the industry. I think industry ought to be given every opportunity to come down here to state their case. I hope they will be given a fair deal by the department. I take the minister's words to mean that conditions must be very abnormal before a plea will be considered. Nineteen thirty-six was a good year for a number of industries, but from then on many of them suffered a serious depression which continued up until September and October of last year. When you consider the excess profits tax and the tax upon salaries and everything else, a considerable tax burden is being placed upon industry. I do not think industry is complaining except that they feel that they should have an opportunity of coming down to the department and having their case considered. The minister's words make one feel that the situation must be abnormal before it will be considered.

Mr. ILSLEY: I am not the minister who will have the administration of the act; it will be the Minister of National Revenue (Mr. Gibson). Much will depend, I think, upon his view of the matter and the view taken by the board of referees to be selected. I do not think I could put the case better than I have if I were to administer the act. I did not use the term "very abnormal". The sections which follow have been carefully drawn and they represent the rejection of other attempts at drafting.

Mr. CASTLEDEN: What method is used by the department to check the profits of a company? Do you take the annual statement?

Mr. ILSLEY: The annual statement as adjusted by the auditors of the department, if adjustment is considered necessary.

Mr. HANSELL: Is any check made of the method of arriving at production costs in connection with government contracts? This would have a bearing on the profits made. Many things may be written into the cost of production, including certain hidden profits and interest on loans. The government must borrow money in order to pay for the article being produced. Interest must be paid on that money. The particular concern producing the article must borrow money to carry on its operations. The financial institutions get the interest on both borrowings; they get it both ways. It is quite proper to tax profits, but when the borrowings of an industry are written into the costs, the interest paid on those borrowings should not be free from taxation.

Mr. HOMUTH: The interest costs should be considered.

Mr. ILSLEY: The hon. member's question apparently relates only to cost plus contracts?

Mr. HANSELL: Yes.

Mr. ILSLEY: The department would have the power to check costs in order to see that the profit was not larger than it should be.

Mr. DOUGLAS (Weyburn): Would it not be fairer if the government set standard profit figures for the different industries, and then taxed everything above that? Due consideration could be given to the turnover, the risk

involved, the particular function of the industry and all that sort of thing. If a company has had an average profit of two per cent over a period of years, it will now pay a tax on everything over two per cent. If it has had an average profit of sixteen per cent, it will be allowed to continue to make that profit before paying any tax. I am keeping in mind that there is a minimum which they must pay. This will work a hardship on firms which have had low profits for the last four years, and will work to the advantage of certain industries which have had fairly good years.

I have in mind mining companies and other concerns engaged in producing war materials. For the last four years they have done a fairly good business. They lost their foreign market, and the result has been that the war orders they are now receiving hardly more than make up for the loss of their foreign markets. The chances are that their profits will not greatly exceed their average profits for the last four years. Other industries, like the textile industry, had quite poor years in 1936 and 1937; their average profit will be quite low. Would it not be possible to consider the setting of a fixed profit figure for the different industries and then tax everything above that?

Mr. ILSLEY: That has been considered, as well as a great many other plans; in fact, I never was connected with a measure which received one-tenth the consideration which this one has, and my own conviction is that it is exceedingly fair. The difficulty with adopting the suggestion of the hon. gentleman is this. There are between 32,000 and 33,000 corporations doing business in Canada. A number—unknown to the Department of National Revenue—of persons are engaged in business either as individuals or in partnerships, and it would be perfectly impossible, administratively, to make a determination of a fair return that would meet with any acceptance whatsoever. There would be endless argument about it, and you would never be done with it, no matter how huge a staff of civil servants or others you might put on it. Therefore, in order to meet the situation practically, we are assuming that in the normal case, in the great majority of cases, in the run-of-mine case, if I might put it in that way, what the business has been making over a period of four years should be taken as the fair return. That is the basis of the act. There will be exceptions where it will be necessary to consider the representations of the industry, and provision is made for these exceptions in the subsections that follow.

It is all very well to say that we can fix a fair return, but I do not know of any human being or group of human beings who could fix a fair return or a range within which most people would agree that fairness lies. It would be impossible administratively and it would not be fair. Put it to any jury and you would have twelve verdicts, instead of one, as to what a fair return was.

Resolution agreed to.

2. That the standard profits be determined with reference to the average profits of the standard or base period being the years, 1936, 1937, 1938 and 1939, except as provided in resolution 5 hereof.

Resolution agreed to.

3. That the rate of tax on the excess profits be increased from fifty per centum to seventy-five per centum.

Resolution agreed to.

4. That on all profits a minimum tax be paid by every taxpayer under the Excess Profits Tax Act, such minimum to be a tax of twelve per centum on the total profits of the business before deducting income tax, and to be payable in all cases unless the tax provided in resolution 3 hereof is greater than the said minimum tax, in which case only the greater shall be paid.

Resolution agreed to.

5. That a board of referees (hereinafter called the board) be established with discretionary power, subject to the approval of the Minister of National Revenue (hereinafter called the minister), to ascertain a standard of profits for new businesses or businesses depressed during the standard period, subject to the following:

(a) in the case of a business depressed during the standard period the minister may direct that the board ascertain a standard of profits at an amount which they think just, being a return of not less than five nor more than ten per centum of the capital employed;

(b) in the case of a new business other than that of the operation of a gold mine or an oil well, if it has been commenced since January 1, 1938, the minister may direct that the board ascertain a standard of profits at an amount which they think just, provided that the said amount represents a rate of return on the capital employed by the taxpayer equal to the average rate of return of taxpayers in similar circumstances engaged in the same or analogous classes of business;

(c) In the case of a taxpayer engaged in the operation of a gold mine or an oil well which has come into production since January 1, 1938, the minister may direct that the board ascertain a standard of profits at such an amount which they think just on the basis of a presumed volume of production during the standard period equal to the volume of production in the taxation year and a presumed selling price for the product during the standard period equal to the average selling price of the said product during the standard period.

Mr. GREEN: Will the minister explain how this tax is to be applied to gold mines, old and new?

Mr. ILSLEY: The explanation would take longer than the time available between now and six o'clock, but I can start it if the committee would like me to do so. Does the hon. gentleman want a detailed explanation? Would it not be better to wait until the sections of the bill, which are in more detail, are before us? It is an intricate and complicated question, and I could give my explanation then.

Mr. GREEN: A great many people are interested in this provision, and I think the explanation should be given on the resolution.

Mr. ILSLEY: Perhaps we had better call it six o'clock, Mr. Chairman.

Resolution stands.

Progress reported.

At six o'clock the house adjourned, without question put, pursuant to standing order.

Thursday, July 11, 1940

The house met at three o'clock.

REPORTS OF COMMITTEES

MISCELLANEOUS PRIVATE BILLS—FIRST AND SECOND REPORTS

Mr. ALPHONSE FOURNIER (Hull) presented the first and second reports of the standing committee on miscellaneous private bills, and moved that the second report be concurred in.

Motion agreed to.

BANKING AND COMMERCE

First report of the standing committee on banking and commerce.—Mr. Moore.

THE MINISTRY

STATEMENTS OF OPPOSITION LEADERS AS TO PRIME MINISTER'S PROPOSALS CONCERNING WAR COMMITTEE AND WEEKLY CONFERENCES

On the order for motion:

Hon. R. B. HANSON (Leader of the Opposition): By leave of the house, Mr. Speaker, and under this heading, which I presume to be the appropriate place, I should like to make some observations with respect to the proposals made by the Prime Minister (Mr. Mackenzie King) earlier this week.

On Monday last, in the course of his statement on the reorganization of his cabinet, the Prime Minister made a proposal which has been given widespread publicity and has attracted a great deal of attention. He stated that realizing the importance of increasing public confidence—meaning, in my view, public confidence in himself and his government—through bringing to the aid of the ministry all points of view and opinions, in addition to other means to which he had alluded he had considered inviting leading members of the opposition to become associate members of the war committee of the cabinet, to share in its deliberations and to assist in the formation of its proposals to the cabinet. He then stated what of course is fundamental, that in the last analysis the government must take tne responsibility for whatever is done or left undone. That responsibility could not be escaped or evaded, and of course with that I am in complete agreement.

He then went on to enumerate what he considered would be the advantages of having members of the opposition join the war committee in an advisory and associate capacity. Those advantages, as I appreciate them, were two in number. In the first place the government's policy would be shaped and made effective under the open gaze of the opposition and with their assistance, experience and counsel. In the second place, in all major matters of defence, internal security and international cooperation, the leading members of the opposition would be fully informed. He then went on to state that as at present constituted, that is to say, a purely party government, one of the greatest difficulties confronting the government lies in the fact that many matters of which the government has knowledge, and many actions the government plans, in the very nature of things are highly confidential and must remain so indefinitely. That, of course, is a very significant statement, to which I shall allude later.

Then the right hon. gentleman observed that this obstacle would be overcome, at least in part, by the proposed associate membership of opposition leaders in the war committee of the cabinet, where our experience, advice and point of view would be of value, and added that in his belief such a step would be of real assistance to the government in the discharge of its responsibilities. He then invited my colleague the hon. member for Yale (Mr. Stirling) and myself to become associate members of the war committee of the cabinet. If the invitation were accepted we were to be invited to be present at all meetings of that war committee and to take part in its proceedings.

Right here I should like to interject that neither my colleague nor myself ever contemplated such a course until the Prime Minister mentioned it to me some days ago.

Neither did we—and I desire to emphasize this point—at any time wish to enter the government. I say that because a dispatch—I think it was a Star Syndicate press release—appeared in a newspaper published in my own city, to the effect that I was anxious to join the government. Anyone who knows me knows that nothing has been further from my thought, and I think I can speak also for my colleague. Speaking for myself, at any rate, such a course was never contemplated.

In the next paragraph of his statement the Prime Minister took what to me was a rather inconsistent position which, in my view, needs clarification. If the proposal were accepted, he said, the country would have the benefit of our wisdom, advice and experience. The government would retain responsibility for the direction of Canada's war effort. Then he added:

> It would also be understood that members of the various opposition groups in this house would continue to be free to criticize the administration as they think fit, and to vote and act with complete independence.

It will be observed, however, that he did not include myself and my colleague, or members of other opposition groups who might join the war committee of the cabinet, in this category. On this theory we would not be free to criticize the administration as we thought fit, or to vote and act with complete independence. No other logical inference can be drawn from that statement, and in my view that is the inherent weakness of the whole proposition. I shall refer to this matter later.

It has been suggested to me that a proper reaction to this proposal by the Prime Minister is contained in the words of Solomon as they appear in the book of proverbs, chapter 1, verse 17:

> Surely in vain the net is spread in the sight of any bird.

As an alternative the Prime Minister suggested that if we should feel unable to accept his invitation on the basis stated, which I think I have accurately and fairly described, he was prepared to make yet another proposal, the acceptance of which he thought would not occasion embarrassment. In brief this second proposal was that while parliament was in session there should be regular weekly conferences between the war committee and the members of the opposition, with similar conferences held at intervals while parliament was not in session. At such conferences the government would be prepared to disclose, but in confidence, full and detailed information both as to its actions and the considerations upon which those actions were based. He added that the effectiveness of the opposition, far from being impaired, would be greatly increased by the knowledge gained by their leaders in such conferences, and that members of the opposition, as regards their right of criticism, would have only the limits imposed by their personal sense of responsibility as citizens and members of parliament. I shall refer to this proposal a little later on in my remarks.

Now, as I intimated to the house on Monday, the Prime Minister, in the course of a private conversation with me on June 28 last, to which allusion has been made by him, suggested to me that I and my colleague should sit in with the war committee of the cabinet in an advisory and consultative capacity. On Monday last, when making this statement, the Prime Minister interjected the words "associate members". I have no recollection of the word "associate" having been used, and I am very firm in my own memory that the word "associate" was not used but that the term "advisory and consultative" was used, and that it was in that capacity and in that capacity alone that we were to sit in at the meetings of the war committee. I am borne out in my recollection because, with the permission of the Prime Minister, I had a word with my colleague and these words "advisory and consultative" were the words I used to him in reference to the matter. In my view, sitting in in an advisory and consultative capacity is quite distinguishable from the idea of being an associate member of the war committee. The latter goes much farther than the former. However that may be, that was and is my interpretation of the Prime Minister's suggestion of June 28. His direct proposal of July 8 goes much farther than that.

Now, what is his proposal? It is that myself and my colleague—leaders, if you will, of the Conservative party in this house—are being asked to join the war committee of the cabinet as associate members. We are to assist the government in the formulation of war policy and assume all the important responsibilities which attach to such a position, and we are to be absolutely without power to carry out the policies agreed upon or arrived at, whether suggested by us or not; and if we suggest policies and they are not agreed upon and another course is adopted, we shall be expected to support such policies, although they do not meet with our approval, otherwise we must resign.

What is the essence of this new proposal? The very essence of it is responsibility without power; and because that is so, the acceptance of the proposal is impossible. I want to make it quite clear that at no time have I ever sought to become either a member of the

administration or to be charged with the responsibility of formulating its policies. I was elected to oppose this government, make no mistake about that. My fellow members of the National Conservative party honoured me by electing me their leader in this house.

An hon. MEMBER: National government party.

Mr. HANSON (York-Sunbury): To do what? To follow out the mandate which we as a party had received from those who elected us to oppose this government. One of the chief duties imposed upon us by force of events and patriotic duty from the beginning of this session down to this last minute has been to aid and assist to the very best of our ability and power in carrying on Canada's war effort. We have done this by cooperating with the government fully in advancing those war measures which have met with our approval. We have, I believe, materially assisted the ministry by constructive suggestions with respect to Canada's war effort and, at the same time, we have reserved to ourselves the right and operated on the theory that it was our duty to oppose certain measures offered by the ministry which did not meet with our approval, and generally to perform the constitutional functions of an opposition—not, however, what may be termed the partisan function of an opposition, which is to oppose.

The setting under which this proposal of the Prime Minister was made should not be lost sight of. What was the position? The Prime Minister, confronted with a demand from this party that his ministry should be reconstructed along national lines, confronted by that demand also from a very substantial portion of the public, and being under the necessity of reconstructing his government, took weeks in an endeavour to induce gentlemen of the Conservative faith to enter his ministry. He failed, and he failed dismally, for reasons which he has indicated, and, more important, for reasons which I have indicated and to which I alluded in the statement I made in this house on Monday last, which I shall not repeat now.

Frustrated in this attempt to give a national colour to his ministry, he was forced to fall back on the inevitable. He was obliged to repair his fences from within his own party, and, with one notable exception, from within the membership of this house. In other words, he resorted to what I shall describe as a multiple shuffling of portfolios. A chain is no stronger than its weakest link, and altering the position of the links does not strengthen the chain but renders it just as weak and ineffective as it was before the changing process began. This ministry to-day, large as it is in numbers, has no more strength or capacity to meet the situation which confronts the government and Canada than it had before the Prime Minister spoke on Monday last. With the one exception to which I have alluded, the gentlemen who sit on the treasury benches to-day are no better and no worse than the gentlemen who sat on the treasury benches last week. They are the same men who were guiding the destinies of Canada at that time and their strength is neither increased nor diminished by the rearrange ment. I make no reference to the inclusion of the new Minister of National Revenue (Mr. Gibson) and the new Postmaster General (Mr. Mulock. They have yet to prove their strength and their usefulness to the country, and it would not be fair to judge them in advance of their performance.

That is the setting under which the Prime Minister made his offer to me, and I am bound to say that I believe his offer was induced by reason of his frustrated attempt to strengthen his ministry by the introduction of new blood from outside in a vain effort to bolster up the shattered fortunes of his party in the country. I am bound to say that that was my first reaction. As a matter of fact, the announcement of his repaired but not rebuilt cabinet on Monday last has confirmed that reaction.

Now it is quite plain that I have decided to reject the Prime Minister's proposal to join the war committee of the cabinet, and the primary reason is that already indicated, namely, that I believe it violates a cardinal and fundamental principle of government, that there should not be responsibility without power.

Just what would our position be if we entered this committee? My position, I believe, would be wholly inconsistent and incompatible with my present position. How could I, as the leader of this party, charged with the heavy responsibilities which that involves—and no one is more conscious of them than I—sit in on the war committee of the cabinet, take part in its deliberations, offer my advice and counsel and, in a given case, if I felt very strongly, urge upon the government the adoption of a certain course or courses, and then find myself, in case my advice were rejected, in the position of coming back to this seat in the house and either supporting proposals which I did not approve, or opposing them? Having sat in the council, I would have to support the proposals of the government or I would have to oppose them. To support them against my better judgment would be dishonest, and to oppose them would render my position in a war committee impos-

sible. In either event either I would have to resign from the war committee or I would have to resign from this position. Frankly I cannot for a moment imagine myself in such a position.

I believe with all my heart that I can do better service to Canada—and I put that first —I can do better service to the people whom I represent—and I put that second—by remaining in the position which I at present occupy, reserving to myself, with the advice of my colleagues, full liberty of action and judgment, and continuing to pursue the course which I adopted at the beginning of the session and which I have consistently followed, of supporting and cooperating with the government in those measures which I believe are essential and necessary for the aid of the mother country and for the defence of Canada, and offering such constructive criticism to the government as I am capable of from time to time, and, above all, urging speed and action in connection with our war effort.

I believe that I have made progress, not only in this house but in the country, in pursuing that course; and I believe it is a course which has commended itself to all the thoughtful elements of our population, at least to all those who believe that Canada's war effort is the one vital consideration. I care not for the opinions of those who think we should adopt a middle course, for the opinions of those who think we should have a temperate and moderate participation in this war. My whole heart is in the winning of this war, and any other course, for me at all events, is unthinkable. To those who have a different idea I desire to say that I accord to them their right to hold the views which they entertain, but I claim for myself the same liberty of judgment, to pursue such course as I consider is in the best interests of our country at this critical time. I have never been one of those who would seek to temporize or to compromise with a great principle, and I do not intend at my time of life to begin now, no matter what the fleeting advantage or the temptation of the moment may be. I can do no other.

I stated on Monday last, when I heard the Prime Minister's proposal made, that the suggestion was one which I could not lightly refuse at this critical time in Canada's history, nor was it one which I thought I ought to accept without the gravest reflection; and I want to tell the house and the country that, in arriving at the conclusion which I have arrived at, I have reflected and reflected gravely. I have sought the advice of those whose opinion I value; above all, I have sought the advice of my colleagues in the House of Commons, and I have no hesitation in declaring to the house and to the country that we are unanimous in the conclusion I have announced.

Furthermore, it is my belief that public opinion will sustain me in the course that I intend to pursue. Of all the editorial opinion, as expressed in the public press, which has come to my attention since the Prime Minister's announcement, only one newspaper has expressed the view that the Prime Minister had made a fair offer, and that was the Toronto *Star* in its issue of July 9. It will be observed that the writer did not express the opinion that I ought to accept. All the other leading organs of public opinion in this country to which my attention has been directed and which have expressed any view at all, have taken the stand, in effect, that the Prime Minister's primary proposal should be rejected; some of them have even intimated that it should be rejected with scorn. I have not so treated it, although I perhaps would be justified in so doing. One editorial writer has suggested that if we accepted the proposal we would have about as much authority as an anti-nazi would have as an associate editor of one of Herr Goebbel's newspapers; that the sole effect of such an association would be at least partially to close our mouths, and it would certainly have the effect of lessening that good hard criticism of which parliament already has too little.

Now these statements are based on the theory that Canada's war effort is being guided and directed on a party basis, and that is true. The Prime Minister made some attempt to alter that position, but it has not been altered. The position remains as it was. This is a party government, actuated by the party spirit, dictated and motivated by the party system and, may I say, subordinate to partisan consideration. Protest as the ministry may, this is a Liberal government.

Some hon. MEMBERS: Hear, hear.

Mr. HANSON (York-Sunbury): I have no objection to the applause; I am simply stating a fact which proves my thesis.

An hon. MEMBER: Has the hon. member just discovered it?

Mr. HANSON (York-Sunbury): No, I have known it always. Protest as the ministry may, this is a Liberal government; the war effort of the government is necessarily a Liberal party war effort, and is quite oblivious to the fact that, while the other half of the population is being called upon to pay, to

fight and, it may be, to die, that half of the population will have absolutely no responsibility for the conduct of Canada's war effort.

Some hon. MEMBERS: No, no.

Mr. HANSON (York-Sunbury): I now refer to the Prime Minister's second proposal, that of conferences with members of the opposition. The Prime Minister stated that at such conferences the government would be prepared to disclose, but in confidence, full and detailed information both as to the government's actions and the considerations on which those actions were based, and he added that the effectiveness of the opposition, far from being impaired, would be greatly increased by the knowledge gained at such conferences.

I may say to the Prime Minister at once that there is not the same objection to this proposal. There is not the underlying principle of responsibility without power, which is my main and principal objection to his first proposal, but the difficulty as it presents itself to me lies in his statement that all the information, both as to the government's actions and the considerations on which these actions are to be based, is to be given to us in confidence, and from that standpoint it is objectionable. The older I get, the more circumspect I am with regard to confidential communications made to me. Sometimes things are said to us in confidence which we wish we had never heard. They may prove a source of embarrassment later on; there is always a very grave danger of unwittingly violating a confidence. The government, of course, must determine what is confidential—that is the very essence of the Prime Minister's statement in that regard. The government may say to us, "we did thus and so, and we did it on the basis of certain conditions, facts and theories which are secret; so that it can not be discussed publicly, and you may not criticize it." The conditions, facts and theories discussed may not necessarily be confidential, but only in the opinion of the government confidential, and probably should not be so regarded. Nevertheless, we, unless we are prepared to be faithless and to break an honourable understanding, would be tied, would be bound hand and foot, and on a given occasion our position might be wholly untenable. We could, of course, always retire, but that would end the arrangement. Moreover, an unscrupulous government could, if it so wished, use the plea of confidence to shield itself from criticism. I do not for a moment allege that this government would do that, but the possibility is there.

The Prime Minister, in the course of his remarks on Monday last, alluded to the difficulties of government at such a trying time as that through which we are passing, and to the difficulties he had encountered in endeavouring to strengthen his cabinet from without. I do not intend to revert to the reasons for his frustration, but the situation remains that the Prime Minister has determined to carry on on a party basis. That means a continuation of our peace-time form of government in Canada; and what is the basis of the protection of the people under the two party system? In my view the basis of protection against things that ought not to happen is the system of wholesome parliamentary checks and balances. We have built that up over a long period of years, and experience has proved that on the whole it has worked well. Therefore, having regard to the duty of the opposition to the public, I am of the opinion, which is concurred in by all my colleagues, that we will show more practical allegiance to our public duty by avoiding acceptance of the Prime Minister's second offer.

In peace time I am aware that there is not much consultation between the Prime Minister and the leader of the opposition. There are, or should be, consultations from time to time to expedite the public business, and then there are those amenities which should be shown at all times, but which I regret have on occasion, in former days, been lacking and which must necessarily involve consultation from time to time. They are part of the unwritten law of parliamentary procedure; but the sharing of confidential information, which is the basis of government action, is an entirely different matter in peace time as well as in war time, and I do think that a different practice must prevail in war time from that prevailing in peace time.

In war time, when we are all concerned with the safety of the state, I lay it down as an axiomatic principle that as leader of the opposition I am entitled to information with respect to the war situation and with respect to the government's proposals, and that I am entitled to it as a matter of course. If my right hon. friend disagrees with this, let me point out to him that in Great Britain, both before and after the declaration of war, Mr. Chamberlain consulted with Mr. Attlee and other members of the labour party forming the official opposition; he must of necessity have given them confidential information, and I believe, of necessity, they were entitled to demand confidential information. I may say to the house and to the country that I have not heretofore taken that position, but I do so now and I believe I am on safe ground. We, as representing a great body of public opinion in this country, have a right to know

what is going on. The use which we make of that information is an entirely different matter; we must be guided by the wisest possible judgment which we can bring to bear with respect to its use.

It is well known that from time to time the Prime Minister has asked myself and my colleague to meet with him, sometimes alone and sometimes in the presence of the war committee of the cabinet, including at times certain Conservative privy councillors from the other place. On those occasions there has been no consultation. What has happened is that the Prime Minister has given us, in confidence, information as to the trend of events in the theatre of war on the other side. No pledges have been asked and none has been given. No advice has been sought and none has been offered. Personally I have been grateful for the opportunity of having such information, from time to time, as the Prime Minister has seen fit to give me. On occasion I have asked him privately with respect to certain situations, and such information as he has given me I have received in the strictest confidence. I think that course was the proper one for both of us. But I do go further to-day and say that I think as a matter of right he ought to tell me from time to time what is going on, not only for my personal information, but for my guidance in the responsible position which I occupy. I shall have to be the final judge as to the use I make of such information, but I think the experience of the past will be the best evidence to the Prime Minister that I am to be trusted, and certainly no one can say that at any time during the past eight weeks I have used for party advantage any information which he has given me. Any such thing has been most remote from my thoughts; it has not been given any consideration at all.

In conclusion, let me say this, as I have said from the very beginning in this house: We in this party hold very definite views as to our obligations to the country at this time. We believe in a united war effort on the part of the people of Canada. That united effort cannot be given by a party government. The Prime Minister has rejected the theory of a national government, although he has declared on more than one occasion that his government was a national government. That statement was negatived by his efforts to bring in gentlemen from outside the limits of his own party, efforts that have failed. But notwithstanding all this, his decision is to continue the party system and to play the party game and to carry on a national war effort under party auspices. Much as we regret it, it will not alter the course of cooperation with the government, backed by constructive criticism, which I marked out for this party from the beginning of the session, and which I have endeavoured to carry out consistently from that moment to this. In addition, we shall never lose the opportunity to urge upon the Prime Minister and the ministry the absolute necessity of speeding up all the war activities of Canada.

I am now again renewing the pledge of willingness to cooperate for the national good.

Finally, let me repeat what I have said, that this country needs leadership, leadership which has not been given since war was declared, leadership of the highest character, leadership which cannot be given under the party system.

The Prime Minister has rejected my suggestion. The responsibility is his. We shall help him as opportunity offers, but we, in common with the people of Canada, will hold him and his ministry strictly accountable for the measures which he will advance for the safety of the state, and, in particular, for the manner in which he will utilize the extraordinary powers conferred upon him by the parliament of Canada in connection with the mobilization and utilization of the man-power and the natural resources of the nation.

Hon. GROTE STIRLING (Yale): Mr. Speaker, with the indulgence of the house I crave permission to add a very few words to what my leader has said.

Mr. SPEAKER: There is nothing before the house. On a former occasion a statement was made by the Prime Minister and replied to by the Leader of the Opposition. If there is an endeavour to make this a general debate I must call the attention of hon. members to the fact that there is nothing before the house. Otherwise the Prime Minister will reply, I presume, and a general debate might follow.

Mr. MACKENZIE KING: I have no objection, Mr. Speaker, to my hon. friend speaking.

Mr. SPEAKER: The hon. member may proceed, with the consent of the house.

Mr. STIRLING: As my leader has said, he has been expressing his own opinions and those of the rest of us whom he leads. But as I have been mentioned in this connection along with him, I have put together one or two thoughts which I should like to lay before the house.

On the 8th instant the Prime Minister extended an invitation to my leader and myself of a twofold nature.

The first suggestion was that we should become associate members of the war com-

mittee of the cabinet to share its deliberations and to assist in the formation of its proposals to the cabinet.

The very fact that I belong to a different party from the government means that I have disagreed with that party's policies, and it is evident that the direction of Canada's war effort now and in the future is related to the course followed by the government in the past. An associate joining the war committee now would therefore be informed on the state of affairs as it is to-day, and any advice he might tender would of necessity be considered by the large majority of that war committee in the light of decisions in the past.

The Prime Minister says that his government cannot evade full responsibility for Canada's war effort. It is very evident that whatever success may be attained is most likely to be claimed for the government; but when difficulty arises, as in my opinion it surely will arise, efforts will not be lacking to spread the blame of it on the associates who have come in to work with the members of the war committee at this stage. The extent to which that blame would attach to me, the individual, is a very small matter, but it will not be a small matter so far as the Conservative party is concerned, and those opposed to us would build up an edifice of blame.

It appears to me that the proposal is clarified if we turn back the pages of history for seven years and imagine the answer that the Prime Minister would have given had he, as leader of the opposition, been asked by the then prime minister to come in with one of his colleagues and act as an associate on an advisory committee at the time of an emergency. It appears to me certain that his answer would have been a refusal of the invitation because "they would be expected to share the responsibility without being accorded an equivalent share of power".

The second suggestion which the Prime Minister makes is contained in these words:

> I believe that this situation could be remedied, at least in part, while parliament is in session, by regular weekly conferences between the war committee and the members of the opposition, and by similar conferences held at intervals when parliament is not in session.

This is but amplification of what has happened on three occasions this session when the Prime Minister has asked the Conservative privy councillors to meet him and his colleagues. Each such meeting lasted but a few minutes, during which the Prime Minister imparted to us items of the latest information to reach him.

It is always open to the leader of the government to call in members of his majesty's privy council for consultation. Indeed it is one of the functions of that council. Such meetings would be profoundly interesting, but the extent to which secret information is imparted to such privy councillors in opposition is the measure by which their lips are sealed, not only to their colleagues, but in their public utterances, with the result that constructive criticism and suggestion are gravely hampered.

If the Prime Minister chooses to consult the Conservative privy councillors during a session of parliament, it is of course his prerogative to do so.

The official opposition intimated early in this session its intention to assist the government of Canada to put forth the country's full effort. I have rigidly adhered to the words I uttered on that occasion. I propose so to continue, but, for the reasons I have given, I cannot consent to the kind of cooperation contained in the Prime Minister's invitation.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, with your permission and that of the house I would like to speak, very briefly, and, necessarily, extemporaneously.

Mr. MACKENZIE KING: Yes, certainly.

Mr. SPEAKER: Reference was made to the hon. member in the speech of the Prime Minister, and he is quite in order in taking the opportunity to reply to it. If the hon. member for Lethbridge (Mr. Blackmore) also wishes to speak, he is, I think, entitled to that privilege.

Mr. COLDWELL: The invitation extended by the Prime Minister to the leader of the opposition and the hon. member for Yale has been rejected. The invitation to the leaders of the other groups was conditional, and its rejection by the official opposition makes it unnecessary for me at this time either to accept or to reject it.

I should like to say this, however, that in consultation with our group we came to precisely the same conclusion as the leader of the opposition and the hon. member for Yale, that this would involve responsibility without power and therefore could not be acceptable from any point of view.

May I add also that we were sent here to represent a particular social and economic philosophy and that now and throughout the war it is essential, in our opinion, that we shall represent that point of view in this house. Perhaps it is more important that we should represent it here than that it should receive representation in Great Britain, because, while in Great Britain the leading members of the party holding views similar to our own have united with the new Prime Minister of Great Britain to prevent the

spread of fascism and to destroy autocracy and dictatorship throughout the world, we find that in Canada, for example, in a recent by-election in the province of Saskatchewan, one of the aims of the Liberal party was given as the annihilation of communism, nazism, fascism and socialism. Consequently it would be manifestly impossible for those of us who hold the point of view of the socialist leaders who now constitute so large a part of the British government to associate ourselves with those who intend to destroy the very philosophy which we hold.

In my opinion the Prime Minister as leader of the government has the right to consider at this time that within comparatively recent weeks he was accorded the support of the Canadian people in carrying on the government of this country, and that he should carry on that government. I do not wish to see laid in Canada the foundations of a totalitarian state. The purpose of our British parliamentary procedure is that there shall be an alert, well-informed opposition, not opposing in a carping manner the policies which a government introduces, but bringing constructive criticism to the measures suggested by the government. I believe that we should preserve that free democracy both in war and in peace. For that reason I conceive it to be part of my duty to give all the attention I can to the affairs of the country, with the idea that constructive, alert opposition is almost as great a contribution to the common cause as the business of government itself.

I am still of the opinion which I expressed earlier in the session, that the members of this parliament are not well-informed regarding the war and the defence of Canada. We have hesitated, I believe, in all quarters of the house, including the government side—

Mr. TOMLINSON: Speak for yourself.

Mr. COLDWELL: —about asking questions which might embarrass the government's war effort or divulge information which ought not to be divulged.

Mr. HANSON (York-Sunbury): Quite true.

Mr. COLDWELL: But I am still of the opinion that before this parliament is prorogued or adjourns we should have in this house a frank and free discussion regarding the defence of Canada, both now and in the months that will follow.

I wish to thank the house for having granted me permission to express this point of view, and in doing so I am speaking also for the group with which I am associated.

Mr. J. H. BLACKMORE (Lethbridge): Mr. Speaker, as has already been pointed out, the refusal of the leader of the opposition (Mr. Hanson) to accept the offer of the Prime Minister (Mr. Mackenzie King) has really, so to speak, let us out, so that any remarks of mine might be regarded as unnecessary. Nevertheless it seems wise that I should say just a few things.

I should like to reaffirm the statement I made the other day, that neither I nor any member of my group seeks or shirks responsibility. We are all eager to win the war, and have very definite ideas as to how we can greatly add to the efficiency of Canada in the conduct of the war. But I am still not satisfied with the Prime Minister's offer, because of the vagueness of his proposal. I am unable to see anything definite about what our opportunities for service would be, or just exactly what our responsibilities might be, if we accepted it. I have wondered frequently since the offer was made just why it was made. Is it the desire to give the parties in opposition additional information? That might be a most commendable desire on the part of the Prime Minister. And I think I may safely say that if that is the object of the offer, the offer is somewhat overdue. We had one or two little conferences not long ago, in which the Prime Minister invited the leaders of the opposing groups to come to his office. I had the impression that there was a frank and kindly and agreeable understanding on all those occasions, that he was not embarrassed or annoyed by truculence of the members he brought in; and also I had the impression that we completely kept faith with him, that we did not divulge anything which he bade us look upon as confidential. I have wondered since why it was that he did not continue to call us in.

Even on the conscription bill, about which the Prime Minister found himself in great perturbation, he did not bring us in and tell us why he was so eager to pass the conscription bill or give us any hint which would help us in determining to what extent we should oppose or should not oppose it. Because of this I cannot quite see why this suggestion is made, considering the fact that the Prime Minister could have called me in, and the other leaders, I am sure, at any time and we would gladly have come and he could have given us all the information there was to be given quite as well, it seems to me, as under this proposed set-up. If not, then there is something about the proposed set-up and its possibilities which I have not yet learned. So far as I can recall we have not used any

of the information given us on those occasions to embarrass the government, or compromise the war morale or will of the Canadian people, or in any way to do that which we ought not to do. Therefore it seems to me the way is completely open for an informal conference at which the leaders of the parties could be completely informed with respect to the grave matters confronting this government from day to day.

Does the Prime Minister wish suggestions? Is it the desire to get suggestions which has led him to make this offer? If so, may I point out that we have never been reluctant to offer constructive suggestions; in fact we have rather obtruded our ideas on the ministers and the government, so that there is no reason for suspecting us of over-reluctance or over-delicacy or over-restraint.

Another thing to which I think I can safely lay claim is that when we have made suggestions it has always been with a cooperative and sympathetic attitude. We have endeavoured to avoid anything in the nature of carping criticism or cavilling or truculence, any of those elements which are offensive to people having suggestions made to them. Therefore it seems to me that there is no danger of the government being unable to get assistance or suggestions from us as to how it might better its war effort. We are always available for advice and consultation. I say this because it might seem to hon. members, and perhaps to people in the country who may take the trouble to observe the matter, that in hesitating to enter into this proposal of the Prime Minister social crediters might not be ready to cooperate with the government. To allay any possible anxiety on that score I assure the government that we are ready to cooperate with them in every respect for the winning of this war. But we do want to know where we are going; we want to know that our efforts will not be entirely in vain; we want to know something about the responsibilities we have to assume.

I am just going to make one more statement before I close. We believe that the chief thing that is causing the government embarrassment to-day is the method by which they are endeavouring to finance the war. Unless the government will adopt a different method of financing the war—

Some hon. MEMBERS: Oh, oh.

Mr. SPEAKER: Order. I think the hon. member in replying to the statement made by the Prime Minister is not in order in referring to the methods of carrying on the war. Will the hon. member confine his remarks to the offer made by the Prime Minister and his reasons for declining it?

Mr. BLACKMORE: I am not sure yet whether I have understood what you said, sir, because there is such a buzz and hum in the house; there are so many hon. members who apparently think they know all about what should be said that I could not hear what you said. But I shall not offend against your ruling.

I just want to finish the statement I was making, that unless there is a change in the method of financing the war—

Some hon. MEMBERS: Order.

Mr. BLACKMORE: —I do not know that any group of people whatsoever could carry on the war any more effectively than the present government are doing. Consequently I say that unless the government are prepared to accept suggestions regarding the financing of the war I really do not see that we would have any suggestions that would be worthy of their consideration, therefore I do not see that they will be deprived of very much if they are deprived of our advice. I think I have made our stand quite clear.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, on Monday last when I extended to my hon. friend the leader of the opposition (Mr. Hanson) and to his colleague (Mr. Stirling) an invitation to become, if they thought it advisable so to do, associate members of the war committee of the cabinet, I was met by my hon. friend with the charge that I had not spoken to him privately about these matters before, but had suddenly sprung the invitation openly in this house; and if I gathered aright, he thought that was a somewhat improper method of proceeding. Well, if there has ever been any doubt in the mind of anyone as to whether the method was a right or wrong one, I am sure what my hon. friend has said to-day will remove all doubts on that score. My hon. friend has referred to what he said was a private conversation that we had together a week before I made the announcement publicly. I referred to that conversation when I spoke on Monday last and said that, extending the usual courtesy that I thought would be expected in a matter of the kind, I had indicated to the leader of the opposition the direction in which my mind was tending on this matter and had given him an intimation of it so that he might have the opportunity of turning it over in his mind. To-day he has spoken of one or two words that I used

in the course of that private conversation and has sought to convey the impression that I had said one thing to him in private conversation and then when I made the announcement the other day was seeking to say something quite different. He said I had spoken privately of having members of the opposition, or rather himself and his colleague, come in a consultative and advisory capacity, while the other day I had said they were to be associate members. I ask hon. members, if one is seeking for designations that are brief and appropriate, could one get any more appropriate designation of one who is to come into a committee along with others in a consultative and advisory capacity, than the word "associate" implies? I had no thought of adding to or taking away from any responsibility which hon. gentlemen would be assuming, if they acted together with the committee, by using the word "associate." What I said as to responsibility in the statement I made was clear enough, and any designation that might be given could not alter that aspect of the matter one way or the other.

What has surprised me, I must confess, in what my hon. friend has said is the way in which he has received the proposals I made to hon. gentlemen opposite. One would have thought that my sole motive was one of intrigue; that all I had been seeking to do in what I put forward was in some way or other to place hon. gentlemen opposite in an embarrassing position, to rob them of some of the rights which at present they possess, and to do that all for my own personal glorification. Well, if that is my hon. friend's view, I do not think anything I can say to him to-day or at any other time could change it. But I did hope and believe that he knew me better than to assume that to be the attitude I would take in a matter so grave as our country's war effort at this period of the world's need.

May I say I believe the house generally will agree that if I have stood for one thing above another in this parliament during the years I have been a member of it, and more particularly in the years I have held leadership either of the opposition or of the government, it has been for maintaining the fundamental principles of responsible and representative government. That is the thing for which I have stood above everything else. When my hon. friend talks about a party system of government may I say to him that as far as this government is concerned we are seeking to uphold not a party system but the parliamentary system of government as we have had it in Canada from the time of confederation down to the present; every move I have made as leader of the government in matters affecting government has had in view maintaining that system of government. Criticism, when I have made it in relation to matters of government, has been made in reference to any departure from the system of parliamentary government as I understood it.

Now what is the parliamentary system under the British system of government? It is—and according to our constitution it is so stated—that periodically there must be appeals to the people. Five years is fixed as the limit beyond which we must not go without having such an appeal. That is based on the right of the people themselves to say periodically what particular government they wish to have in power. The only way in which it is possible to present to the people policies which they are to be asked to support is in the name of some party that supports and upholds those policies. A party is not an end in itself. A party is a means to an end, a means whereby men and women who feel and think alike with respect to great questions of government may bring their combined force to bear with a view to making their views ultimately prevail. My hon. friend has some views; he has his party. This afternoon others have spoken with some emphasis with regard to the importance of the views of their parties. Our whole parliamentary system is based upon the party system. We are not seeking to maintain party for the sake of party; we are seeking to uphold the parliamentary system of government, which is based as all know upon the party receiving the support of the majority of the people. When I asked His Excellency the Governor General to dissolve the previous parliament in January last, it was because I felt the time had come when the people were entitled to say whom they wished to carry on the government of Canada during this period of war. Dissolution was carried out on those grounds; the appeal was made on those grounds, and this parliament as it is here to-day represents the views of the people of Canada as to the particular government they wish to have to carry on the affairs of this country at this time. We are here to-day not as a party government but as the government the people of Canada sent here; we are here by their authority, with a trust to carry on government in this great crisis in the affairs of our nation.

With every word that has been said by my hon. friend the leader of the opposition as to what would impel him and others to support the view of responsible and representative government, I am in entire accord; but may I say that he has gone very far afield to misconstrue my purposes and intentions in the

proposals I made. They have not been proposals to depart from our system of parliamentary government. They have been proposals —surprising, perhaps, as being quite unnecessary in order to maintain parliamentary government, but made nevertheless with a view of seeking to meet the wishes of hon. gentlemen opposite, as they have expressed them over and over again in this house; wishes which, if I were to express them in words as I have interpreted them all along, were to the effect that public confidence in the administration of affairs in time of war might be strengthened by having in the government some individual or individuals who would represent political opinions known to be other in some particulars than those of the individuals who form the present administration. That is the point of view that has been put forward by hon. gentlemen opposite. They have put it forward in one way; their press has put it forward in another. They have talked mostly of individuals outside parliament, their press mostly of persons in the opposition in parliament. They have said, "Bring into your government leading men who will help establish this confidence." That confidence does not mean, as my hon. friend says, confidence in the Prime Minister as an individual or confidence in his government as a Liberal government. Just read what I said in this very connection:

> Realizing the importance of increasing public confidence through bringing to the aid of the ministry all points of view and opinions, I have considered yet another means by which this end might possibly be attained.

What I have sought to do, consistent with representative and responsible government, has been this. I have not tried to free the government of any of its responsibility; nor have I asked others to assume responsibility without power. I believed that it would help to satisfy a large volume of sentiment in this country to have associated with the government one or two outstanding persons of the type my hon. friend mentioned who were known to represent a shade of opinion other than that held by this party, but who nevertheless I believed were persons who shared generally the point of view of the administration on its war activities and in its determination to win the war, not by partisan means but by straight, open means; frank, honourable, honest methods of government. Such persons I felt, unless prevented for other reasons, would not, whatever their political opinions on other matters might be, hesitate for a moment to come into the administration. The other day my hon. friend held up the example of the United States to me as something I should seek to follow. He mentioned that Mr. Knox and Mr. Stimson had been brought into President Roosevelt's administration. By making that reference he was indicating, and in fact he said, that these gentlemen represented another political party than that at present in office in the United States. That is true, but there is also something about Mr. Stimson and Mr. Knox which is equally true and which accounts for their being in President Roosevelt's administration to-day. That is, their views with respect to present world conditions, their views with respect to policies which may be essential to enable the United States to follow what Mr. Roosevelt believes to be the right course, are in accord with the views of Mr. Roosevelt himself. That is borne out by the sort of criticism which has been expressed by some of those who belong to the party to which Mr. Knox and Mr. Stimson belong, on their entering the government at all. But the ground on which they have come in to the government has been to associate themselves with war policies in the United States in connection with which their views are the same as those held by the administration.

May I now make clear what has been governing me in my own thoughts, the genesis of my seeking to meet my hon. friend's wishes in connection with bringing into the government one or two gentlemen known to be members of the Conservative party—yes, outstanding members of the Conservative party.

In the general election of 1917, when an appeal was made to the country by the national government of Sir Robert Borden, Sir Wilfrid Laurier opposed that national government, and I was one who stood by him in that attitude. I opposed national government. I had at the time many confidential talks with Sir Wilfrid Laurier in reference to the very matter which we are considering, and ought to be considering at this time. We discussed the subject of how in the event of the Liberal party being returned to power, persons of other shades of opinion might come to be satisfied in their own minds that the government in a time of war was going to be actuated by something other than mere party motives.

I was intending to speak in North York, in which constituency at the time I had the honour of being the Liberal candidate. I asked Sir Wilfrid, "Have you any suggestions to make, or do you wish me to express any view on this matter?" We had, as I have said, been discussing it together. I believe I may now feel free to disclose what happened on that occasion. It is interesting in itself and a matter of public interest at this time.

Sir Wilfrid said, "If I am returned and the Liberal party is returned I propose to bring into the administration one or two outstanding Conservatives, simply to satisfy a feeling which may exist on the part of a number of people in the country. That action will stand before the public as a guarantee that proceedings inside the council are not being conducted on mere party lines, but are being conducted solely on great national lines." It must be remembered that at that time there was only one opposite party in the house. We had not the groups in those days that we have to-day. Sir Wilfrid said to me that one of the gentlemen he proposed to take in, or had in mind to invite to come in was Lord Shaughnessy, who was then pretty well known as a Conservative, and was president of the Canadian Pacific Railway Company. He said to me on that occasion, "I will ask Lord Shaughnessy to become minister of railways and canals, because I think he will be very helpful to the administration in transportation matters."

That fact may not be publicly known, but I can vouch for it to-day. That was what was said on that occasion. When I was discussing the matter of taking into this administration an outstanding Conservative with members of my own party, I mentioned that circumstance to them. That was before I extended any invitation to my hon. friend. I made it clear to my own party that if in any way we could help to satisfy the public mind as to the disinterestedness of the government in all matters of conducting the war in the most straightforward manner possible, that this would be most desirable, and that if I could attain that end by bringing into the ministry from outside one or two outstanding persons, I was prepared to bring them in, and was prepared to trust their loyalty and their integrity in respect to all matters the government would be obliged to consider.

It was in that frame of mind that I did approach one or two gentlemen. I might say I approached four or five gentlemen, and extended an invitation to them to come in. I did not intend that that number should come in, but I did intend that one or other of them, or two or more might be brought into the administration. And I might say to my hon. friend the leader of the opposition and say it most emphatically, that not one of those gentlemen declined to come in because it was a Liberal government. I wish to make that as strong as I can; and if my hon. friend doubts my word for one minute, and suggests that it is not true, I will ask him whether he got from the lips of any of those gentlemen word to that effect.

Mr. HANSON (York-Sunbury): I interviewed only one, who was not a Conservative, and then only over the telephone.

Mr. MACKENZIE KING: I am glad to hear my hon. friend say that, because he has told the house and the country that the reason why these gentlemen would not come in was that they had been asked to come into a Liberal government. My hon. friend said that the other day. He said it was because I had laid down some doctrine about loyalty to myself which made it impossible for them to come in. Now he says he has not had conversation with anyone, except one over the telephone, who was a Liberal.

Mr. HANSON (York-Sunbury): Who was not a Conservative.

Mr. MACKENZIE KING: I say to the house, I give to the house my word, that I extended the invitation I did without any kind of restriction, without imposing any condition, or without any consideration other than that of saying that I was desirous to bring into the ministry one or two persons outstanding in the industrial and financial life of the country who would help to satisfy the kind of desire which I thought was being expressed from the other side of the house, namely that there should be some evidence before the country that it was not some Liberal monopoly that was seeking to carry on the government, but that we were prepared to have associated with ourselves for the greater confidence it might give in the ministry's integrity of purpose in the winning of the war, other shades of political opinion.

I believe I may leave that matter there. I wish now to discuss the invitation itself. What has happened to-day does show one how much thanks one gets for trying in an open way to meet hon. gentlemen opposite in connection with the administration of the affairs of the country. In the course of years I have learned a great many lessons. I have learned many lessons while I have been in public life, and I think I have learned another lesson within this last week which I shall perhaps remember for the rest of my days.

I had thought I had so phrased the invitation that no possible exception could be taken to it on any of the scores which my hon. friend has cited. Let me read what I said before in extending the invitation I did, and see if it is capable of the kind of interpretation the leader of the opposition has sought to place upon it.

Before, however, reading what I said, may I repeat what I said a moment ago. I have maintained the position that in fighting the war, we should seek, as we do in times of peace, to maintain our free institutions; above

all, that we should not permit the war, if it were at all possible for us so to do, to cause us to lose the slightest measure of the political freedom we have in Canada. That is why, at great risk of being misunderstood, and all the rest of it, I asked his Excellency the Governor General to dissolve parliament, notwithstanding the country was at war. I believed that the people had a right at that time to declare themselves, and that a war should not be made the excuse for men to sit indefinitely in this House of Commons or to perpetuate themselves either as a government or as members of parliament for a time beyond that permitted by the constitution.

I have maintained throughout that the government must take full responsibility, and that it cannot evade its responsibility in any way. I thought that in that particular I had made the invitation very clear, and that my proposal had been framed in a manner which would not admit of the slightest reason for the public believing that as a government we were seeking to evade our full responsibility. I put positive words into the invitation so that it could not be misconstrued. If I had invited persons to come to be associate members of a war committee of the cabinet, and had left it at that, they might have put their own interpretation upon it, or have thought that they were being asked to assume responsibilities without equal power. A government also has questions of responsibility and power to consider. Under a system of responsible government we cannot divest ourselves of responsibility if we take power, nor if we are to carry the responsibilities of office can we be without full power. The two go inextricably together. That is why I took particular care to see that both responsibility and power continued to rest upon the administration, and that in extending the invitation I did we would not thereby be changing in any particular the fundamental character of the administration. If they wished to avail themselves of the opportunity, we were prepared to give to hon. gentlemen opposite the kind of assurance to which I have referred, and which I at least conceived was what they had in mind, namely evidence of the government's bona fides in every particular with respect to the manner in which they wished to see the war effort of Canada carried on. My invitation was in these words:

> Realizing the importance of increasing public confidence through bringing to the aid of the ministry all points of view and opinion, I have considered yet another means by which this end might possibly be attained. I have thought of inviting leading members of the opposition to become associate members of the war committee of the cabinet, to share its deliberations and to assist in the formation of its proposals to the cabinet.

[Mr. Mackenzie King.]

"To share its deliberations." They would come and meet there as members of that committee and share in everything that was being discussed. As proposals were put forward they would be given the opportunity of discussing their merits or demerits. All that would be expected was that they would do their part, of helping to see that proposals were along the right and best line.

> Regardless of what course may be adopted, the government itself must, in the last analysis, take the responsibility—

There I was relieving my hon. friends at once, if they accepted the invitation, of any responsibility. I was placing it solely and wholly upon the government.

> —for whatever is done or left undone. That responsibility cannot be escaped or evaded. It is difficult even to share it.

I had not been oblivious to the fact that there were difficulties, and I had been trying to meet the difficulties by which hon. gentlemen might be faced. I knew at once that the relationship between responsibility and power would be the first question to arise in their minds, and I sought to anticipate that by saying what I said. I was seeking to meet any objection that might arise and remove it if at all possible.

> It is difficult even to share it. It would not be my idea, in case members of the opposition became associate members of the war committee of the cabinet, for the government by that means to seek in any way to evade full and final responsibility for Canada's war effort.

Then I gave the reasons why I thought it would be helpful to the government, to the country and to hon. gentlemen themselves if they joined in that association.

> But the presence in an advisory and associate capacity of members of the opposition would have a number of advantages. While their addition to the war cabinet would leave unimpaired the requirements of responsible government, it would mean that the government's policies were being shaped and made effective not only under the open gaze of members of the opposition, but with the assistance of their counsel, experience and advice. It would mean that in all major matters of defence, internal security, international cooperation, the leading members of the opposition, chosen to act in association with members of the war cabinet, would be fully informed.
>
> At the present time, one of the great difficulties of government lies in the fact that many matters of which the government has knowledge, many steps which the government takes, many actions which the government plans, are, in the very nature of things, highly confidential, and must remain so for varying periods of time.

That is inevitable in this period of war. I have here on this table communications that have arrived to-day, one of which I regard as so serious that I propose to show it to my hon. friend this evening. I think he ought to know of it at once; I think his party ought to know of it. It is the only

way in which I can impart this information to them. It is the only way in which I can impart the information because I am asked specifically in the communication to be very careful about making any public statement on the matter referred to therein. I shall show it to my hon. friend afterwards and he will see that what I am saying now is borne out by the contents of the communication. The government cannot help getting confidential information. I can assure hon. members that no one has been more embarrassed by having to carry information from day to day and say nothing about it than I have myself. I know the embarrassment it is to the government to have to say, "We cannot give you this information because it is confidential." Every time that is said the government's word is discounted to some extent, or it is assumed that there is some reason other than the one given for withholding the information.

These are times of war when things are happening the like of which never happened in the world before. Events are happening to-day with a rapidity never known before. Some of the things that are happening involve to meet them a certain course of action which, if disclosed, would preclude or destroy the full effect of the action proposed to be taken. It has been with a desire of seeing that embarrassment removed as largely as might be possible that I have felt it would be helpful to be able to communicate some of these confidential matters in a confidential way. I shall read this last paragraph:

> Were the invitation accepted, it would be my wish that they should be present at all meetings of the war committee and take part in all its proceedings. I am prepared, also, if this invitation is accepted by my hon. friends opposite, and if it is agreeable to other political groups in the house, to consider the extension of the invitation also to their leaders.
>
> If the house and the gentlemen whom I have invited look upon the proposal with favour, it would mean that the country would have the benefit of their wisdom, advice and experience, the government would retain the responsibility for the direction of Canada's war effort, with which it has been charged. It would also be understood that members of the various opposition groups in this house would continue to be free to criticize the administration as they think fit, and to vote and act with complete independence.

My hon. friend the leader of the opposition has said that if he and his colleague came in he would be prevented from criticizing. Is he not a member of the opposition? It was never intended to exclude him, or to exclude his desk-mate. That is why I cannot understand the attitude of my hon. friend. Unless he has approached this whole proposal as having been made in a spirit of intrigue, I cannot see how he can have placed the interpretation he has upon those words.

> It would also be understood that members of the various opposition groups in this house would continue to be free to criticize the administration as they think fit, and to vote and act with complete independence.

That language cannot be gainsaid. It is there exactly as it was said, and it stands as a permanent record of what was intended.

I do not know that I need say much more, except perhaps this further thought. Assuming that I had not made this invitation, assuming that I had said nothing to the opposition about the readiness of the government to have hon. gentlemen from the other side come and share in some of its deliberations, what would my hon. friend have been saying to-day to this house and to the country? He would have said at once: "Mr. King has taken great care in what he has done to see that no one but a dyed-in-the-wool Liberal is going to have anything to do with this war, or to know anything about it; he has not given to the opposition or to any members on the other side of the house an opportunity of knowing anything about some of these confidential things he talks about; he has not given us an opportunity to know the position of Canada in relation to the dangers which the country is facing at the present time." I would have been wiped off the slate as the greatest Liberal isolationist that ever held a position in public life.

I am speaking to men who are accustomed to public life and I think all hon. members will realize that what I am saying is utterly true. To sum up, may I say that while I did not expect this discussion to take the turn it has, while I did not expect that the invitation would be refused, not merely in the summary way in which it has been refused and in the manner and with the words which have been used, I do believe that this attempt of the government to bring the members of other political parties and groups into its confidence has helped to demonstrate the dangers there are once one begins in any way to depart from what has been the general practice of our parliamentary system of government as carried out under British institutions. That parliamentary system of government is based upon the view that what the majority of the people in the country have expressed at the polls as their will must prevail in matters of policy, and that the government of the day must continue to have that will as the power back of it to enable it to do what it does. I think it has been shown conclusively this afternoon that so far as the

administration or to be charged with the responsibility of formulating its policies. I was administration of this country is concerned, great as the responsibility is, we cannot hope to share that responsibility with anyone else without appealing to the people in the first instance. The people have put us here with the majority which we have. They have placed upon us a responsibility which we must assume. I take it, from what hon. gentlemen opposite have said, that they prefer that we should assume that responsibility in its entirety, which is right, and not seek in ways which might seem even indirectly to do so, to evade the full responsibility we have.

My hon. friend speaks about the government representing fifty-five per cent of the people, while the other forty-five per cent are represented by the hon. members on the other side. He has implied that the voices and the opinions of this forty-five per cent should also govern during war time. May I point out to him that of that forty-five per cent, only thirty-five per cent represents what he might claim as the voice of the Conservative party in Canada. I am treating hon. gentlemen opposite very kindly when I say the Conservative party, because it was not under that name that they ran in the last election. If we are a Liberal government in office we were at least not ashamed of our name when we went before the people of this country and asked them to give us their confidence. That is more than hon. gentlemen opposite can say. There are other groups in this house that help to account for the numbers in opposition, and taking them as one sees them from this side there is very great difficulty in seeing how they could be regarded as being completely of one accord in anything, because they represent as many different sets of views as there are groups or parties opposite. I think I have made it clear that my hon. friend, when he speaks of his present party, can speak of not more than a certain percentage of the opposition.

Is there, may I ask, anything to prevent gentlemen who are not represented on this side of the house from maintaining an attitude of helpful cooperation in every way with the government under our party system, if you wish to call it so, although I prefer to call it the parliamentary system?

I should like before concludng, because I think they are worth repeating, to quote to my hon. friend and the house the words that were used by Sir Wilfrid Laurier when he was similarly circumstanced to my hon. friend at the moment. When the war came on in 1914, Sir Wilfrid Laurier was the leader of the opposition, and he had to state on behalf of his party what their attitude would be towards the government of the day. It was a party government; a Conservative government. Did Sir Wilfrid Laurier begin by saying: We want to come into your party; we want the people of our opinion to be represented and share in the government? Or did he say, as my hon. friend ventured to say in the course of his remarks, that the opposition had a duty to perform as well as the government and that he intended to perform his duty as leader of the opposition? This is what Sir Wilfrid Laurier said. On August 19, 1914, as reported at page 8 of *Hansard,* he said:

> Speaking for those who sit around me, speaking for the wide constituencies which we represent in this house, I hasten to say that to all these measures we are prepared to give immediate assent.

That was after the government of Sir Robert Borden had announced the measures which they thought necessary for the winning of the war.

> If in what has been done or in what remains to be done, there may be anything which in our judgment should not be done or should be differently done, we raise no question, we take no exception, we offer no criticism, and we shall offer no criticism so long as there is danger at the front. It is our duty, more pressing upon us than all other duties, at once, on this first day of this extraordinary session of the Canadian parliament, to let the friends and foes of Great Britain know that there is in Canada but one mind and one heart, and that all Canadians stand behind the mother country, conscious and proud that she has engaged in this war not from any selfish motive, for any purpose of aggrandizement, but to maintain untarnished the honour of her name, to fulfil her obligations to her allies, to maintain her treaty obligations and to save civilization from the unbridled lust of conquest and domination.

I ask hon. members to re-read those last words and see if there is a scintilla of difference between the fundamental aims for which we are all fighting to-day and those we were fighting for in the last great war.

But Sir Wilfrid Laurier did not confine his attitude to one session of parliament. He maintained his attitude throughout. When the next session of parliament opened, Sir Wilfrid Laurier said:

> Let me say at once that we who sit on this side of the house and who represent his majesty's loyal opposition took our course at the outset of hostilities when we declared that we would support the government in their war policy. We conceived that it was our duty to do nothing to embarrass the government, but on the contrary to do everything in our power to facilitate the task, the heavy task which had been placed in the hands of those to whom, for the time being, the Canadian people had entrusted their fortunes. We have acted upon this principle all along, and again we are prepared to act accordingly. We meet the summons of his royal highness in the same spirit to-day, in the month of February, as we met it in the month of August last. We are pre-

pared to give to the government, to those who for the moment have the confidence of the Canadian people under our constitutional system, the support to which they are entitled for the attainment of the great end which we all have in mind.

There is the true attitude of an opposition at a time of war as Sir Wilfrid Laurier conceived it. I think I can say that a more loyal attitude to the country itself could not possibly have been expressed. I believe that attitude is one which commends itself to my hon. friends opposite.

Mr. STIRLING: Will the Prime Minister not agree that that is the attitude which has been taken by this party, both in September and again this session?

Mr. MACKENZIE KING: May I say to my hon. friend that there have been many expressions of attitude on the part of hon. gentlemen opposite. Some of them have been that the members of the cabinet ought to be changed; others that the leader of the government ought to be changed, and others that there should be a change of government itself. There have been as I have said all kinds of attitudes expressed by hon. gentlemen opposite. One of them has been an attitude similar to that which I have just read. I believe that represents the view of my hon. friend himself, and represents equally the view of the leader of the opposition. But I must say this, that so far as the attitude as a party of hon. gentlemen opposite towards the government is concerned, it has not been a consistent attitude along that line but, as I have said, many attitudes, some of them of very considerable embarrassment to the government, much greater perhaps than hon. gentlemen may have realized.

Speaking of attitudes, may I say further that there is in more than one matter one attitude maintained by certain hon. gentlemen in this House of Commons, and another attitude outside, expressed very strongly against the government by their press, and when we speak of attitudes, it is necessary to speak of both. The leader of the opposition has said to-day: I did not ask to come into any national or union government; I would not go in; I have a duty to perform; I did not ask to come into a national government and neither did my colleague. But their organs of opinion are not taking that attitude. They are putting it the other way, and at times in violent language, in their editorial columns, day after day. Their demand is for national government, meaning thereby union government. The Conservative party cannot have it both ways, one way in this House of Commons and another way in its press. If it wishes to take a particular attitude and have that attitude known and respected, it must take it consistently both inside parliament and outside parliament.

While I am speaking of national government I think I had better say one word in conclusion with regard to some statements made with respect to national government. The argument has been made and may be made again that because the United Kingdom has what is termed a national government, meaning a government of members representative of different political parties, therefore we in Canada should have a similar government. But the position in England is entirely different from the position here. The position in England is that they have not had a general election since 1935 and the period has expired in which they would normally have had an appeal to the people. Obviously there are reasons why that appeal cannot be made in Great Britain at the present time, and therefore the government has found it necessary, in order to get certain measures through, to bring other gentlemen into association with itself in that particular relationship. Fortunately we have been able to put through our different measures by reason of our own majority. We have not been driven to the recourse of having to appeal to other groups and parties in the house in order to get through the important measures which have been put through the house this session. May I cite one example, to illustrate exactly what I mean? The government regarded as a most important measure the National Resources Mobilization Act which we put through. I can conceive of circumstances in which if that measure had been introduced at an earlier period of the war we would have had no end of opposition in this House of Commons.

Mr. HOMUTH: Before the election.

Mr. MACKENZIE KING: Yes, before the election, if my hon. friend likes to put it that way. My hon. friend has his mind on elections most of the time. If we had tried it before the elections, this house would probably have been divided, and the government itself might not have been able to carry on.

Mr. HOMUTH: It would not have been in.

Mr. MACKENZIE KING: But let me say this to my hon. friend, that if I had regarded that procedure as necessary before the election, I would have taken it and gone down with the government in defeat if I could not have got the necessary support from some part of this house rather than have failed to endeavour to put it through. That is where a national government of the different political

party type may become necessary—where a government which has been entrusted with power by the people feels that some measure is essential to its war effort, and cannot get the support that it needs from its own party but finds it can get it out of the total membership of the House of Commons. That is the final test of everything—the support which a government may count on from the people's representatives in the House of Commons. The leader of a government who has the responsibility of deciding what measures shall be taken has always to consider whether he can get the support which is needed, and if he cannot get that support from his own people, if there are others in the house who are prepared to support a particular measure, and he deems it absolutely essential that that measure shall be carried through, he should either seek their support, or go at once to the people to obtain the backing of the people themselves. It is the majority of the country, the majority in this parliament, which governs, and so long as an administration is supported by the majority it has both the power and the responsibility. When it loses either, it loses both.

We have had talk about the government in Australia. What is the position there? They had three groups in the commonwealth parliament. Two minority groups have joined together to form a coalition, but the opposition which is the largest of the three groups, is still there as an opposition to-day. There is no "national government" about that, in the sense in which hon. gentlemen have been referring to it in this house and referred to it throughout this country in the last general election.

So far as national government in Canada is concerned, what is the position? Before confederation there was, under the Union Act, a parliament composed of representatives from Ontario, or what was then Upper Canada, and representatives from Lower Canada. Their numbers were fairly evenly balanced. Those who were from Lower Canada were mostly French and Catholic and of one party and those who were from Upper Canada were mostly Protestant and English-speaking and of another party, and the parties were so evenly balanced that whenever they became opposed it was impossible to carry on government itself. Leading members of the parties, recognizing that government could not be carried on unless some of their number united on some great principles other than those of race or language, took that particular stand A coalition was formed to make government itself possible, and out of that coalitcn ultimately came the confederation of Canada. But it was a coalition to enable government to be carried on.

Come to 1917 and the formation of the union government at that time. Why was it formed? For one reason, and one only; not that the government of the day could not carry on the ordinary business of government, but that it was determined to introduce a measure of conscription which it knew it could not put through unless it got from different parties men who were prepared to support that particular measure; and the coalition was formed in order to put conscription through.

We fortunately have not been and are not driven to a necessity of that kind with respect to any of our measures. Such legislation as we have brought forward has been passed with the cooperation of hon. members opposite, but unmistakably we put it through primarily in virtue of the majority the people of this country have given us.

I hope that in the course of these remarks I have not said anything which can be in the least either offensive to or misunderstood by any hon. member. It is perhaps just as well that we have completely threshed this question out, so that there will be no misunderstandings from now on. We as a government will continue to govern under the British parliamentary system whereby the majority in parliament are given that duty and that responsibility. We shall look to the leader of the opposition as one who by statute is entrusted with the duty of being the leader of the opposition, not of coming into the government or having any members of his party come in, but of remaining where he is as the leader of the opposition performing a great function, a duty second only to that of the Prime Minister himself. Criticism can be constructive, it can be helpful, and it should where necessary be availed of at all times. I hope that my hon. friend will exercise his functions in that way, in the light of his sense of responsibility, just as freely and completely as he possibly can.

There are only two things I would like to say in conclusion. A great deal has been said about my having made some comment upon the attitude of hon. gentlemen on the opposition front benches whose loyalty to myself, it was said, I was inclined to question. I hope that if I have said anything which has hurt the feelings of hon. gentlemen opposite—I am speaking now of the colleagues of my hon. friend the leader of the opposition—or has given rise to misunderstanding, as to an unwillingness on my part to share with them to the full necessary public confidence, or as to a sense of their loyalty and the

rest of it, they will accept my assurance that I had no intention whatever, in the remarks I made the other evening, of referring to myself in a personal way. I was speaking of the conception which I had of the leadership of a government and of the kind of association which must belong to men who compose a ministry and are closely related in that association to the Prime Minister.

My last word is to my hon. friend the leader of the opposition. I want to say and say publicly that my hon. friend has been most helpful to me through this parliament. He has been critical, but critical in a fair way, with the single exception that, at times, I think, he has been unduly suspicious, and probably has let his suspicions override a sense of trust which I hope, with time, may become stronger even than his supicions.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

MAIL RATES ON UNITED STATES PERIODICALS

Mr. CHURCH:

1. What mail rates per pound are paid on publications such as the *Saturday Evening Post*, and what is the estimated annual loss per annum to the departments concerned?

2. Do the reduced rates amount to a large subsidy to such papers from the people of Canada?

3. Have any objections been received to this low rate per pound, and, if so, from whom?

4. What is the annual estimated loss to the departments concerned for carrying papers of all kinds through the mails by the government?

Mr. MULOCK:

1. Two cents a pound. Not practicable to keep cost of handling United States publications separate from cost of handling Canadian newspapers and periodicals.

2. No. If American publications such as the *Saturday Evening Post* were mailed in the United States, Canada would continue to handle the same volume as at present without remuneration, as postage would be paid to the United States administration, resulting in a loss of revenue of approximately $400,000 per annum.

3. Yes. Circulation manager, the Toronto *Star*.

4. $4,500,000.

BACON EXPORTS TO GREAT BRITAIN

Mr. SENN:

1. How many grades or classifications of Canadian Wiltshire sides are being shipped to the British market?

2. What percentage of our total shipments to Great Britain in 1940 fell within each of the above grades or classifications?

3. What was the average price per pound realized for each grade or classification in the year 1940, to date?

4. How many pounds of Canadian hams and box cuts have been shipped to Great Britain?

5. Have any pork products imported from the United States, either as fresh or cured pork, been shipped to Great Britain by the bacon board or any Canadian exporter?

Mr. GARDINER:

1. Two grades—A and B. Three selections: No. 1 (leanest); No. 2 (lean); No. 3 (prime). Six weight ranges of five pound spreads, covering a range of 45-80 pounds.

2. Grade	Selection	Percentage of weight ranges						Total
		45–50	50–55	55–60	60–65	65–70	70–up	per cent
A	No. 1..	1·2	9·0	20·5	19·1	7·8	2·1	59·7
A	" 2..	·1	2·1	6·5	9·3	4·1	1·4	23·5
A	" 3..	...	·3	1·9	3·7	2·5	1·1	9·5
B	" 1..	·2	1·1	2·1	1·7	·6	·1	5·8
B	" 2..	...	·1	·3	·5	·2	·1	1·2
B	" 3..	...	...	...	·1	·1	...	·3
Totals all selections.. ..		1·5	12·6	31·3	34·4	15·4	4·8	100

3. Under the agreement the British Ministry of Food pays the bacon board for all Grade A bacon, $20.18 per 112 pounds f.o.b. Canadian seaboard, and for all Grade B bacon, $19.29 per 112 pounds f.o.b. Canadian seaboard.

4. January to June, 1940, inclusive—56,184,610 pounds.

5. No.

95826—97½

TORONTO POSTAL TERMINAL

Mr. CHURCH:

Has the government come to any decision yet regarding completion of the Toronto postal mail order building?

Mr. CARDIN: It has been decided to proceed with this building sufficiently to ensure its protection and make it available for war purposes.

*NATIONAL HOME GUARDS

Mr. CHURCH:

Will consideration be given to the formation of national home soldier guards in Canada and to amending the Militia Act, the War Measures Act and the criminal code accordingly, to define their powers and duties as an auxiliary to home defence and protection to the civilian population of Canada.

Mr. RALSTON: Speaking in the house yesterday I think I indicated the answer to this question, namely, that the Department of National Defence desires to pursue the policy of having military units organized and dealt with through the Canadian active service force and non-permanent active militia, and not by way of special forces such as are suggested here.

HOUSE OF COMMONS

STATEMENT OF MR. SPEAKER RESPECTING TOURISTS AND OTHER VISITORS TO PARLIAMENT BUILDINGS

Mr. SPEAKER: Before the orders of the day are called I wish to make a statement to the house. In the Ottawa *Morning Journal* of to-day there is an article with regard to the exclusion of tourists from the centre block. I shall not read it all, but the last paragraph says that the police at the doors of the Commons and Senate have been instructed not to allow tourists to enter. That is far from being the case. Those who are charged with the responsibility for this building, realizing that in 1916 the parliament buildings of that day were destroyed by fire during a time of war, have placed restrictions upon the entry of visitors to the building because of dangers that might arise.

I have been informed that in the course of their peregrinations through the building some members of a party accompanied by our guides have become separated from the party, with their whereabouts or destination unknown. This is something that the officers of the building wish to prevent, but I wish to state definitely that instructions have been given, as far as the House of Commons is concerned, that visitors will be permitted within the building provided that they are accompanied by someone who is responsible, someone who is well known, or who is in a responsible position, and that the members of the party shall be known to those who are leading or guiding the visitors through the building. Notice of the numbers in these parties must be given to the officers in charge and to the acting sergeant-at-arms, who is now the clerk, and the party will be given permission to enter the building.

I may also say that in connection with the entry of visitors to the building we find that some hon. members have received visitors who have not been allowed to enter the centre door. Where they have come from we do not know. I wish to ask the cooperation of all hon. members receiving visitors here in notifying the officers at the door. No one will be allowed in the building unless with the knowledge and consent of the officers.

UNEMPLOYMENT INSURANCE

AMENDMENT OF BRITISH NORTH AMERICA ACT TO PROVIDE FOR UNIFORM COMPULSORY SYSTEM

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): I wish to place on *Hansard* the record of the action of the British parliament in amending the British North America Act.

The address of the Senate and House of Commons of Canada requesting the introduction of a measure in the parliament of the United Kingdom to amend the British North America Act by adding unemployment insurance to the powers enumerated in section 91 was duly submitted to his majesty. A bill providing for the amendment was introduced on July 3 and, after passing the House of Lords and the House of Commons, has now received the royal assent.

PASSPORTS AND VISAS

REPLY TO INQUIRY AS TO ESTABLISHMENT OF PASSPORT OFFICE AT NIAGARA FALLS

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): I wish to say a word with regard to passports. The hon. member for Lincoln (Mr. Lockhart) asked a day or two ago a question to which I have not had an opportunity of replying since.

When we were definitely informed by the United States authorities that the general application of the order relating to passport and visa requirements could not be postponed as we had urged, the arrangements which had

been prepared for dealing with a greatly increased demand for passports were at once put into force. At the outset it was considered desirable to continue to issue all passports from the central office at Ottawa rather than strip that organization of the limited number of trained men available by sending them out to open branches at other points. Later it was found possible to open temporary branch offices at a number of points, as men became available who were competent to supervise the issue of passports and to deal with the questions of nationality which arise. The first point at which a branch was opened was Windsor. A survey had indicated that a particularly large number of local applications was to be expected there from persons working or having business relations across the border. The officials in charge of passport work recommended that a branch office be opened in Windsor, and that was done. I make this special mention of Windsor as my hon. friend in a letter he sent to me asked that I would inform him as to who made the recommendation regarding the office there, and this is the reply I received from the department. Last week other offices were opened at Vancouver, Winnipeg, Toronto, Montreal and St. Stephen. The question of opening additional offices is receiving consideration. It may be noted that there are now three offices in Ontario, at Ottawa, Toronto and Windsor. It will probably be found necessary to cover Sault Ste. Marie immediately, on account of the special travel problems which arise there. The decision as to additional branches will depend partly on the availability of trained men. In this connection I may say that very valuable assistance has been given by the customs and immigration as well as other departments. It will depend on the need. While there is still a considerable measure of congestion, the applications for passports are rapidly declining, and the numbers issued rapidly increasing, so that the situation will soon be in hand.

SOCKEYE SALMON FISHERY

QUESTION AS TO REPORT OF ECONOMIC ADVISORY COMMITTEE

On the orders of the day:

Mr. A. W. NEILL (Comox-Alberni): I should like to ask the Minister of Fisheries (Mr. Michaud) a couple of short questions. Yesterday in answer to the hon. member for Vancouver South (Mr. Green) he made this statement:

> The matter of the sockeye salmon fishermen on the Pacific coast has been referred to us and has been submitted to the war-time economic committee for study and report, and I expect that the report of the committee will be ready for release this evening or to-morrow morning.

I should like to ask the minister if the report has been received, and if it will be laid on the table for the information of the house.

Hon. J. E. MICHAUD (Minister of Fisheries): In reply to the hon. member's first question, the report of the advisory committee has been received and has been considered. Whether it will be laid on the table is a matter which has to be considered, because the committee was not a committee of the house but simply an advisory committee to the government or any department thereof on questions of economics arising out of the war. Personally I see no objection to making the contents of the report public, but I shall inform the hon. member later as to whether it will be laid on the table.

Mr. NEILL: I must tell the Prime Minister (Mr. Mackenzie King) that a dangerous situation out there is imminent, and as to whether there will be a very serious strike depends on the report of this committee, and if we are not to get the benefit of the report what is the use of referring it?

Mr. HANSON (York-Sunbury): Is this not a public document? If it is asked for, it should be put on the table without any question.

Right Hon. W. L. MACKENZIE KING (Prime Minister): I am sorry that I did not follow closely just what was being said, but I understand that the report referred to is one made by the economic advisory committee, to which the cabinet refers certain matters for confidential expressions of opinion to the cabinet itself. The reports of the economic advisory committee are confidential reports to the cabinet for examination by the cabinet in considering the particular matters which have been referred. They are not reports which obligate the cabinet to accept the views therein expressed, but are intended to help its members adequately appraise the different factors which should be taken into account in arriving at decisions or determining policy on certain matters. If it once became the rule that reports of a committee chosen especially for the purpose of confidentially advising the cabinet before it makes a decision were to be made public, I am afraid there

would be very few references to the committee. The whole purpose would be destroyed, and I believe we would not get in the reports the valuable expressions of opinion that we now receive, not always unanimous opinions, but opinions that enable the cabinet, in considering important matters, to have before it a reflection of different points of view. The government of course have to take the responsibility for the ultimate decisions made.

If this report is of that kind then I think it is not a public document in the sense in which my hon. friend thought it was.

Mr. NEILL: Then I desire to move the adjournment of the house to discuss a definite matter of urgent public importance, namely, the situation in the sockeye salmon fishing industry of British Columbia where some 9,000 men are likely to go on strike because of price conditions. They have been held back by the advice of their leaders, also of some members of parliament, who have stated that this matter has been submitted to this economic committee where it is possible to receive favourable consideration. I think the matter is of sufficient importance to justify its debate now.

Mr. SPEAKER: I am afraid the hon. gentleman has made his motion too late. We are through the routine proceedings and have reached the orders of the day.

Mr. NEILL: It is possible to make this motion during the routine proceedings. We are now on routine proceedings; we have not reached the orders of the day.

Mr. SPEAKER: Yes, we have reached the orders of the day.

Mr. REID: I would urge upon the Prime Minister the advisability of giving the answer of the economic committee as soon as possible, in view of the seriousness of the matter and the delay that has occurred already.

Mr. CHAMBERS: I desire to support the remarks of the hon. gentleman who has just spoken.

Mr. MACKENZIE KING: My reply was in reference to reports in general, and had to do with a principle. It does not relate at all to this question. I quite agree with the hon. gentleman who brought up the matter that the condition to which he refers is one which should receive and will I may say receive the immediate attention of the government.

[Mr. Mackenzie King.]

INTERNED ALIENS

ARRIVALS FROM BRITAIN—REPORT AS TO POWER OF HOME OFFICE TO ORDER RELEASE

On the orders of the day:

Mr. G. H. CASTLEDEN (Yorkton): I should like to ask whether the government will make a statement with regard to a startling article which appeared on the front page of the Ottawa *Journal* this morning, to the effect that the Under-Secretary of State for Home Affairs told the House of Commons that 6,700 prisoners of war and internees of the most dangerous class had been sent to the dominion, and further that the home office retained the power to order aliens sent to the dominions to be released in suitable cases.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Obviously I cannot be expected to answer a question based upon a newspaper article which appeared this morning and which I have not seen, particularly one purporting to give some expression of view by the under secretary of state in London. I would wish to communicate with London to make sure the report was accurate, and to look into the matter carefully. I shall be glad to regard my hon. friend's question as a notice, and if I can give him any information later on I shall do so.

BRITISH CHILDREN

INQUIRY AS TO REPORTED POSSIBLE ABANDONMENT OF EVACUATION PLAN

On the orders of the day:

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): The Montreal *Gazette* of this morning contains a Canadian press dispatch from London dated July 9, and reading in part as follows:

> The plan to evacuate 20,000 children was criticized in a recent *Daily Mail* editorial. It argued that while the government was arranging to evacuate that number, rich parents were able to evacuate their children independently, with the result that poorer parents feel a grievance.

The dispatch also states:

> The *Mail* went so far to-night as to say that the government "may abandon their plans to evacuate children to Canada and the other dominions as well as the United States."

My first question is: Was not the unduly wide publicity given by some press magnates, and particularly by the Montreal *Star*, to the coming of titled guest children to Canada largely responsible for this possible change of Britain's policy? The second question is: Is it the intention of the government to take

all necessary steps to stop at once such unwise and uncalled for publicity which, if it satisfies the stupid vanity of parvenu newspaper owners, is against the best interests of the children concerned?

Right Hon. W. L. MACKENZIE KING (Prime Minister): I am afraid my hon. friend's question is of the kind I mentioned the other day, intended more to express views and convey information than to acquire knowledge. With respect to any matter concerning British policy I should say that is something the British government should answer itself, and I would not attempt to interpret the British policy or what occasioned it without first receiving some authority to do so. As to my hon. friend's observations with respect to the publicity given certain matters, I think he has already served his purpose by making the statement in the form he has.

Mr. POULIOT: Yes, sir.

TRANS-CANADA HIGHWAY

REQUEST FOR FEDERAL ASSISTANCE IN RECONSTRUCTION OF CUSHING BRIDGE AT CALGARY

On the orders of the day:

Mr. C. E. JOHNSTON (Bow River): Would the Minister of Mines and Resources (Mr. Crerar) care to answer the question I asked him yesterday?

Hon. T. A. CRERAR (Minister of Mines and Resources): Yes. My hon. friend's question had to do with whether or not the government would give assistance towards the reconstruction of a bridge on the trans-Canada highway, I believe in his constituency. It is not the intention of the government to give such assistance. As I intimated yesterday, the construction of bridges and of roads is a matter of provincial concern. The federal government has given some assistance to the provinces in the matter of developing tourist highways, but, as my hon. friend is probably aware, there is no vote in the estimates this year for any assistance to the development of these highways. Consequently there is no money available, in any case, for the purpose to which he has referred.

Mr. JOHNSTON (Bow River): Is there no tourist road vote this year?

Mr. CRERAR: No. I have just stated there is not.

BUSINESS OF THE HOUSE

WAYS AND MEANS—DEPARTMENT OF NATIONAL WAR SERVICES

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): I had intended to call the order for the second reading of the bill respecting the Department of National War Services, but I understand the leader of the opposition (Mr. Hanson) would rather proceed with it to-morrow. In the circumstances, I have sent for the Minister of Finance and we shall continue in committee of ways and means. I hope the postponement of consideration of the other bill until to-morrow will not affect the possibility of getting it through in time for royal assent before the end of the present week.

Hon. R. B. HANSON (Leader of the Opposition): We will try to expedite it. I am very much obliged to the Prime Minister for the consideration he has shown.

WAYS AND MEANS

The house in committee of ways and means, Mr. Vien in the chair.

EXCESS PROFITS TAX ACT

3. That the rate of tax on the excess profits be increased from fifty per centum to seventy-five per centum.

Mr. HANSON (York-Sunbury): This proposal is a change in government policy, as that policy was stated last September. I feel that in addition to the statement made by the former Minister of Finance (Mr. Ralston) when the budget was introduced, in which statement he offered justification for the change and for the theory that we should not take 100 per cent of the profits, we ought at this time to have a statement from the present minister.

If I have understood correctly the proposal of the government, a firm is to be permitted to earn the average of a standard range of four years, and in respect of any excess, heavy taxes to the extent of 75 per cent are to be imposed, after making provision for a minimum income tax: first, under the Income War Tax Act, a tax of 18 per cent, and, second, under the Excess Profits Tax Act, a tax of 12 per cent. Therefore in any event that tax will always be paid. If the profits exceed that amount, companies will automatically come under the Excess Profits Tax Act. Then, to the extent of the excess, less the deductions to which I have referred, profits to the amount of 75 per cent of the total will be taken.

I am wondering why 75 per cent has been chosen in preference to 50 per cent or 100 per cent. If in the four-year period companies have been making substantial profits, and if because of the country's war activity and because of work on war contracts a company earns a sum substantially in excess, in view of the fact that in the previous four years such company has operated successfully and has made substantial returns I am wondering why the government should not take the whole thing, as has been done in England.

I know that in England there is no corporation tax. Under the theory they follow, a company over there pays no corporation tax whatever. The principle followed in England is that the government takes all, over and above the best year in a range of years. I am not trying to be explicit, realizing fully that the minister will probably have more detailed information in the matter than I have. I would point out, however, that in the old country, they are taking it all. I believe we might give careful consideration to that fact. Probably in passing I should point out that that is the reason why I voted for the amendment offered by the leader of the Cooperative Commonwealth Federation.

I can understand, of course, that special consideration might be given to those companies which have not been doing very well in the past four years, and that they might be permitted to participate in profits which might arise as a result of war activities. I am referring to a company which may have been part of a depressed industry, and I am speaking only in terms of policy. But in respect of those companies which in the past have received substantial earnings, I cannot see why we should not take the whole thing. I have in mind particularly a company which has been most prosperous. In fact it has advertised its prosperity to the extent of giving out figures as to earnings. Those advertisements have appeared in the public press, calling attention to the fact that distribution of wages has greatly increased while dividends have not been increased, despite the fact that the company might be entitled to increase those dividends. The company in question has made substantial progress in recent years, and I can see no reason in the world why it should not pay the whole of any excess profits it may have, and still be doing pretty well.

I realize that probably the government's policy is conditioned upon a survey of the whole corporate field, and certainly the commissioner of income tax charged with the responsibility of administering the measure would have much greater knowledge of the field than I could have. I am prepared to admit that immediately. I am not going to make the demagogic appeal I have heard from various quarters; I am not going to say we should not have any new war millionaires, as a result of this war—

An hon. MEMBER: Why not?

Mr. HANSON (York-Sunbury): —although I feel that way. I am not in any business likely to become very prosperous. But I believe that the people in Canada who are going to bleed, the people who are going to pay will expect that those who are engaged in industry and are assured of a decent return on the risk involved should not go beyond that. That is my considered judgment, after giving careful thought to the matter.

I suggest to the minister that he might consider the matter further. I know it is involved, and I realize that the situation here is not the same as it is in England. We have a corporate tax which they have not. In addition we have an income tax which is in effect double taxation. We have a corporate tax, and then a tax on dividends. I have always been opposed to the principle of double taxation. I think it is wrong, and imposes a penalty. I argued with the former minister who imposed it that it was unjust.

Of course, it was not imposed during war time, and I am not going to make any further argument now because we are at war and the country needs the revenue. However, I have always felt that it was a distinctly discriminatory tax. I do not know of any other double tax such as that. There may be one, but I cannot think of it at the moment. I am not going to labour this question of double taxation now. Rather I am going to take the other tack, that at this time when all of us are called upon to make sacrifices, the big corporations should be ready to make their contribution, provided they are allowed to make a moderate return on their investments. They should be asked to contribute to the revenues of the country all the excess profits they make.

I have not arrived at this position hurriedly. I know some will say that I have developed into a socialist, but that is not the case. I have taken this position having regard to the time and the situation, having regard to the fact that we are fighting a war. I think the government would be justified in going even further than they have. Last September the government apparently took the position that they were going to take half the excess profits, but public opinion or something has caused them to recede from that position and to take away the option provided in the previous act. I think I know why that was done; it was

because the act was found to be unworkable from an administrative point of view. But this is a matter of principle, not of administration.

I feel that the government should go further and I believe that patriotic industry in the country will sustain the government. I was impressed the other day with the statement of the hon. member for Victoria, B.C. (Mr. Mayhew) who had just returned from a meeting of the Canadian Manufacturers Association held in Winnipeg. He was filled with patriotic fervour and he made a declaration on behalf of industry, of which I was quite proud. I am connected with industry in my own province. We want to make our contribution, but unfortunately I do not think we shall have any great amount of money to give to the government because we are not engaged in war work. One particular industry has had some stimulus from the effects of the war. Competition from the United States has been cut off, which will help this industry considerably. In my judgment the administration should give further consideration to taking a larger measure of these excess profits.

Mr. ILSLEY: Perhaps I should take this opportunity to say a few words about the Excess Profits Tax Act, and the reason why the act of last September is being repealed and this bill substituted therefor. When we were here last September we did not have much time to draft a bill and the bill which was drafted was found to be faulty in some particulars. As hon. members will recollect, each industry was given by that measure the option of two rates of taxation, rate "A" and rate "B." Rate "A" adopted the principle of the capital standard. That is, a company was permitted to earn, first, the amount of its income tax and, next, 5 per cent upon the capital employed in the business before taxation began. If the company earned between 5 and 10 per cent on the capital employed, the amount over 5 per cent was subject to a 10 per cent excess profits tax; if it earned between 10 and 15 per cent, the amount over 10 per cent was taxable at the rate of 20 per cent; if it earned between 15 and 20 per cent, the amount over 15 per cent was taxable at the rate of 30 per cent; if it earned between 20 and 25 per cent, the amount over 20 per cent was taxable at the rate of 40 per cent; if it earned over 25 per cent, the amount over that was taxable at the rate of 60 per cent.

Rate "B" was based upon a different principle. Under that rate the excess profits were taxed without reference to the fairness of the rate of return upon the capital employed. If a company elected to be taxed under that rate, it was taxed 50 per cent of the excess amount earned in the taxation year over the average of the amount earned during the last four years. The theory of the act was stated to be that a company should pay a tax on the excess profits, that is, the profits greater than those earned in a normal period or, in other words, on excessive profits or profits which were more than a reasonable rate upon the capital employed. If we had been setting out to tax both excess profits and excessive profits, as the case might be, we would not have allowed an option at all, we would have taken the higher of the two taxes. Then a company could not escape, it would be taxable if it made more than a reasonable return on its capital, or it would be taxable if it made an excessive profit. On the basis of abstract principles it was a little difficult to justify that act.

It was a little difficult to justify the act as a matter of practice because there was so much discrimination as between companies. A company which had had small earnings during the past few years, if it happened to move into a profitable period during the war years, it would presumably elect to be taxed under rate "A" and would have only five per cent of its capital exempt from taxation. However, that company might be in competition with another company in the same industry which had had good years before the war and had continued to have good years, but no better years, during the war.

Mr. HANSON (York-Sunbury): That is rather an anomalous position.

Mr. ILSLEY: Not at all. There are all kinds of companies which are not making more during the war period than they made before the war period.

Mr. HANSON (York-Sunbury): As I understood the minister, he was referring to companies in the same line of business.

Mr. ILSLEY: It may be that I put a rather rare case. I do not need to take companies in the same industry necessarily, it would be sufficient to take them in the same country. There are many companies which are not earning any more during the war than they did before. They would have no excess, yet they would have a high return. Thus certain well-established and prosperous companies would get off without any taxation except the ordinary corporation income tax.

Mr. HANSON (York-Sunbury): Which is 30 per cent.

Mr. ILSLEY: We raised it from 15 per cent to 18 per cent last September. The result was that there was a great deal of dissatisfaction in industry with the act passed last fall. It was known in September that when we came to get reports from business and industry it would be necessary to make amendments to the act. We have worked on those amendments from that time to this, and what we have evolved is the legislation now before the house, which I think is as fair as can be produced.

The hon. gentleman has made reference to the taxation in England. He has been very fair and accurate about that. But I want perhaps to repeat what he has said about the rate of tax and the system of taxation in England. In England there is an income tax, but the income tax is on individuals. Corporations pay a tax to the government but they pay it on account of the individuals, so that there is really not a corporation tax at all in England in the sense of corporation income tax as we have it and understand it in this country.

In England there is an excess profits tax based on the principle of this act. The base of it is far more favourable to business, at least I should think it was, than the base we have taken here. Here we take the average for 1936, 1937, 1938 and 1939, or of the fiscal periods ending in those years, which means that for some companies we take as the base a large part of the year 1935, when a great deal of business in Canada was more or less depressed. In England they take only three years, 1935, 1936 and 1937.

Mr. HANSON (York-Sunbury): Do they not give them a choice?

Mr. ILSLEY: Yes, I am coming to that. They take 1935, 1936 and 1937 as a base. There are no options under this act, but in England they have four. They can take 1935 alone—that would be a tremendous privilege if they could do it in this country—or they can take 1936 alone or the average of 1935 and 1937 or the average of 1936 and 1937, whichever gives them the most favourable base. They have that advantage to start with. So when one considers that advantage over the system here and that they have no corporation tax, while we have a 30 per cent corporation tax even if there is no excess profit whatever over the pre-war period, I do not think there is any doubt that our excess profits tax, plus our income tax is harder than the tax that business in England is called upon to pay. The tax is based upon a different principle. Under the English system, starting as they do with probably a higher base than ours, thereby giving a smaller amount of excess profits to be taxed, it is true that the government takes 100 per cent of that excess while we take only 75 per cent. But hon. members should remember that we are not by any means into full industrial employment in this country, and there must be, we think, some profit incentive for the expansion of industry. It might be, as the hon. gentleman says, that the great majority of manufacturers are so patriotic that they will expand just as much as they possibly can and produce to the utmost, and not curtail at all, if there is no profit incentive.

Mr. HANSON (York-Sunbury): I did not say that. It was the hon. member for Victoria, B.C. (Mr. Mayhew); I was quoting him.

Mr. ILSLEY: I understood that the leader of the opposition adopted the position that a great many of the manufacturers would do that. We have something over four billion dollars of United States capital invested in Canada, and we have thousands—I speak loosely and subject to correction—of plants which are owned wholly by United States capital. It may be that United States owners of industry in this country are prepared to run the risk of losses, because there is always that risk, there being a fair casualty list in industry and business. It may be that they are also prepared to take into account the certainty that if they make any profit, even if it is only 2 per cent, they will have to pay a corporation income tax of 30 per cent, and have to pay after that either an individual income tax if they are resident here, or a withholding tax if they are not resident here, and be prepared also to pay 100 per cent of excess profit to the government. That may be so, but I do not believe it. It may be that people should be that way, but I do not believe they are that way. I think many of them are that way, but I do not think all of them are that way by any means, and I do not think this country, situated as it is, with such a large amount of foreign capital invested in it, is in a position to rely on the patriotic motive for the expansion of industry. So we are allowing them 25 per cent.

Mr. HANSON (York-Sunbury): You are allowing them a great deal more than that.

Mr. ILSLEY: Twenty-five per cent of the excess, without taxing it.

Mr. HANSON (York-Sunbury): There is another feature that is not excess.

Mr. ILSLEY: We leave 25 per cent of the excess to them without taxing it. That, it seems to me, is the case for this type of legislation. We are harder on the companies,

generally speaking, no doubt, but we are leaving that element in there, and it is a small one.

Mr. HARRIS (Danforth): In making his statement the minister rather left the impression that in England there were four optional bases on which the tax would be calculated, and only one base here, namely, the average for the four years that he mentioned. But we still have in the act section 5A, which provides for industries which have come through depressed years. I should be glad if the minister would make his statement complete and not leave the impression that we have in Canada only one alternative, because the fact is that we have access to the provisions of section 5A.

While I am on my feet, in reply to the last sentence which the minister uttered with regard to the 75 per cent clause, I would point out that in comparison with the September legislation section 5A definitely provides for a return of a minimum of 5 per cent and a maximum of 10 per cent on the total investment, as determined by the board of referees.

Mr. ILSLEY: That refers to depressed businesses.

Mr. HARRIS (Danforth): But the September legislation did not provide for a range of from 5 to 10 per cent, and so as I read this measure, industry is in an even better position, apart from the fact that the tax is raised from 50 to 75 per cent. So far as the base is concerned, they are in an equally good position, with alternative "A" and alternative "B". I have no objection to that. I am rather in accord with the idea which is carried out in section 5A. I would ask the minister to make it clear that we still have two alternatives.

Mr. ILSLEY: I shall do that, but I point out, as I pointed out to the hon. gentleman who questioned me yesterday, that section 5A is designed to apply only to exceptional cases, and these exceptional provisions are contained also in the English legislation. There might be cases of extreme hardship. A company through misfortune of some kind might have made losses and have no standard at all, and if we had no such provision as this it would mean that we would have to take 75 per cent of the total profits. Therefore provision has to be made. But I want to make it clear that we do not intend this to apply to normal cases.

Mr. HANSON (York-Sunbury): Where they have been making profits?

Mr. ILSLEY: No. They may have been making fairly small profits. But I do not anticipate that the minister or the board is going to apply this 5A to a large range of industry. If so, the act could never be administered. The point I want to make is that these exceptional provisions have counterparts—they are not exactly the same—in the English legislation. They are not for the ordinary run of the mine case at all.

The other point of criticism is that we started with 5 per cent and we now have 5 per cent to 10 per cent. The answer to that is that under rate "A" the tax was a graduated rate. Now you jump to the 75 per cent after you leave the 10 per cent, or 7 per cent; under the other act you went up very slowly; for a while it was 10 per cent, then 20 per cent, then 30 per cent, and so on.

Mr. HARRIS (Danforth): The minister spoke about industry having the "misfortune" to have a loss. All industries over the period of a decade expect losses in some years. It is part and parcel of the operation of running an industry.

Mr. ILSLEY: I agree.

Mr. HARRIS (Danforth): So I do not like the word "misfortune". As regards those who have been unfortunate enough to have two years of profits and two years of losses, first, would they come under section 5A; second, would their losses be deductible from the profits in getting the average for the four-year period, or would only the two years in which they had a profit constitute the base period on which the excess would be figured?

Mr. ILSLEY: I cannot say whether they would come under 5A or not. That is a matter which would have to be looked into. We would have to see what the general conditions in that industry were, and so forth.

Mr. HARRIS (Danforth): Could the minister answer the other question?

Mr. ILSLEY: If there were losses for two years and profits for two years, four years would be considered. You would take the profits for the two years of profit, put down zero for two years of losses, add them up, divide them by four, and get your average in that way.

Mr. HARRIS (Danforth): That is most unfair. I think it should be divided in that case by two.

Mr. ILSLEY: That would be too favourable.

Mr. MAYHEW: I wish to make a suggestion to the minister, and I think I shall not overstep the mark if I take a minute or two to do it. I would have supported the amendment to the resolution, because I believe in it in principle, but I know that it is not

practical. In the first place, you cannot take all the profits from industry unless you are prepared also to socialize practically every philanthropic undertaking in Canada. Organizations in this country such as hospitals and the Red Cross must get their support through voluntary contributions, and those contributions can come only from profits. Therefore it is quite impossible, even in war time, to take 100 per cent of the profits from any industry.

I believe, however, that this government could take more of the profits than they are taking if they did so in a different way. When this war is over, the country will probably revert to conditions similar to those we experienced after the last war. We shall have a period of depression, when industry will not be able to take care of itself unless it has some surplus from which to draw. I would therefore suggest to the minister that he borrow from industry, without interest, that remaining surplus of which he is thinking, and return it to industry a year after peace has been declared. In that manner industry will have something of a credit on which its business may be run, and something to tide itself over in the period of reconstruction. Many of those of us who are in industry to-day will have to entirely reshape our businesses, when the war is over, to take care of peace-time requirements—much as we have had to readjust our organizations in the last ten months to war-time demands. The readjustment of the whole economy of our industrial life will take a considerable amount of money. I am therefore of the opinion that the government should be careful not to take from us more money than is needed to maintain our plants in the best condition we possibly can. They should be liberal as to the amount allowed us for repairs, for renewals, also for advertising. It must be remembered that advertising is an expense which will justify itself to the advantage of the government as well as of business. I believe the government should also be liberal in its appraisal of our plants so far as obsolescence is concerned so as not to cripple us when we shall have this struggle to meet the costs of reconditioning. But it can take more of our profit to-day if it is taken in the form of a loan without interest, so we shall have a backlog with which to build not only to-day's business but business in the future.

Mr. HANSON (York-Sunbury): The minister spoke about two depressed years and two earning years. But what is he going to do in the case of three years of depression and one of net earnings?

Mr. ILSLEY: We cannot lay down any technical definite rule about that.

[Mr. Mayhew.]

Mr. HANSON (York-Sunbury): I believe the minister will be faced with some such situation. I am connected with a company—we will call it the F company; I hope too many people will not recognize it under that initial. We have had three bad years out of four. In one year our head was above water, and then came a bad year, and now this year. I have not been to a directors' meeting for a little while, since I came here. As a consequence of a recent crisis in the United States wherein, due to the war and the situation on the high seas, there has been no export of sulphite pulp from certain countries, we are getting good prices and good volume—the first time for years that we have had volume. How is the minister going to treat that situation? The question is an important one to the company, for it must have some profits, and even the 75 per cent provision would mean treating it very harshly. I think 5A is going to help.

Mr. ILSLEY: One hundred per cent would be treating them worse.

Mr. HANSON (York-Sunbury): Yes. The point is just this, that you cannot dogmatize for any general class or group of companies. Each company, after all, must have consideration on its own merits; and if you are taking 100 per cent profit, excess profit, it would be on certain other theories. I do not entirely agree with the theories of the leader of the Cooperative Commonwealth Federation on the basis he has set up, but I think that in the given case you could take 100 per cent of the profit. But I admit that would work very harshly in certain cases.

I have made my general statement; now I am asking for information on a concrete case. What about the case of a company that had three bad years and one moderately good year, and is now facing a very good year? And they need a great deal of that money to put back into the plant. What is the minister going to do in a case like that?

It is six o'clock, he can think it over.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

The CHAIRMAN: I should like to inform the committee that I made a mistake when we took up these resolutions before six o'clock. I find by the scroll and by *Hansard* that yesterday we passed resolutions 1, 2, 3 and 4, and that when we adjourned last night we were on resolution No. 5.

5. That a board of referees (hereinafter called the board) be established with discretionary power, subject to the approval of the Minister of National Revenue (hereinafter called the minister), to ascertain a standard of profits for new businesses or businesses depressed during the standard period subject to the following:

(a) in the case of a business depressed during the standard period the minister may direct that the board ascertain a standard of profits at an amount which they think just, being a return of not less than five nor more than ten per centum of the capital employed;

(b) in the case of a new business other than that of the operation of a gold mine or an oil well, if it has been commenced since January 1, 1938, the minister may direct that the board ascertain a standard of profits at an amount which they think just, provided that the said amount represents a rate of return on the capital employed by the taxpayer equal to the average rate of return of taxpayers in similar circumstances engaged in the same or analogous classes of business;

(c) in the case of a taxpayer engaged in the operation of a gold mine or an oil well which has come into production since January 1, 1938, the minister may direct that the board ascertain a standard of profits at such an amount which they think just on the basis of a presumed volume of production during the standard period equal to the volume of production, in the taxation year and a presumed selling price for the product during the standard period equal to the average selling price of the said product during the standard period.

Mr. GREEN: Last night the minister said he would explain the taxation on gold mines under these new provisions. I wonder if he would do that this evening.

Mr. ILSLEY: The provisions regarding gold mines and oil wells are different from the provisions regarding other industries. This will be a very difficult matter to deal with at all adequately, and perhaps after a little while I shall have to stop and just let hon. members ask questions.

With regard to gold mines let us take first the example of an established industry; that is, a mine which has been in operation for more than four years. I am taking this just at random, not because it is the best instance that could be selected for purposes of explanation. In this case the general provisions of the act apply, with regard to 75 per cent of the excess being taxed, with a minimum of 12 per cent additional income tax or 30 per cent income tax in all, depending upon the way you express it. Those provisions apply. But there is a somewhat artificial way of arriving at the profits of the base period. The volume of production is taken into account. We will take the volume of production in the taxation year, I would say either the number of ounces of gold or the number of tons of ore produced. I anticipate it will be the number of ounces of gold produced.

Mr. GREEN: The minister is still speaking of the old mine?

Mr. ILSLEY: Yes, I am keeping strictly to the instance of the old mine. It will be considered that the mine produced, in each year of the standard period, that number of ounces, which will be multiplied by the profits per ounce which actually were made during the standard period. The result will be taken as the earnings or profits of the average year of the standard period; in other words, the standard profits. Then that will be subtracted from the actual profits of the taxation year, and the result will be the excess, which will be taxed according to the provisions of the act, 75 per cent of the excess being taken.

Now let us say we have the case of a new mine, which comes into operation after January 1, 1940. In that case there is no experience to go by; there is no standard period at all, because it has not been in operation. We propose to take the number of ounces of gold produced in the taxation year and assume that this number of ounces was produced in a year before the act came into force, and that the price obtained was the average price during the four pre-war years. The subtraction will then be made, and the result will be the excess which will be taxed in accordance with the provisions of the act. It will be seen that in all probability the excess tax in that case will be the premium on the price of gold, the difference between $35 an ounce and $38.50 an ounce. That approximately will be the result.

I have described two cases. Now let us take a third case, that of a gold mine which came into operation some time in the calendar years 1938 or 1939, since an arbitrary date has been fixed as January 1, 1936. That mine has some experience; it was in operation for a year or two before this act came into effect. But we do not consider that to be a fair experience, because when a mine is in the early stages of development, production is very small. Therefore we regard that mine just as we regard a new mine, and to mines that came into operation after January 1, 1938, we apply the same rule that we apply to mines coming into operation after January 1, 1940.

The principle underlying the gold taxation, as distinguished from the taxation of other companies, is that the excess profits per unit of the product produced, that is per ounce, are taxed, while in other industries it is the excess profits per dollar invested that are taxed. There is a complete difference in principle as between gold mines and oil wells on the one hand and all the other industries

of the country on the other. What I have said about gold mines applies in its entirety to oil wells. I need not repeat anything I have said in dealing with oil wells. I want to say that the case seemed to be conclusive for placing the taxation of gold mines on the unit basis, on this profit per unit produced basis, as distinguished from the profit per dollar invested basis.

But there was a very difficult question as to whether we should draw the line between gold mines and all other industries, or whether we should draw the line between gold mines and oil wells and all other industries. There was a question as to whether oil wells should be treated in the same way as gold mines or in the same way as other industries. After careful consideration and much discussion we decided that the reason was sufficiently strong for putting oil wells in with gold mines.

Mr. GREEN: In connection with new mines is it the idea of the government to take 75 per cent of the premium? Is that what it amounts to?

Mr. ILSLEY: Yes, that is what it amounts to.

Mr. GREEN: That would not be the case with the old mines, or does it work out the same way with the old mines?

Mr. ILSLEY: No, it is not.

Mr. HANSON (York-Sunbury): This is an involved matter. At the risk of worrying the minister I would ask him to be good enough to make that explanation with respect to the two classes, because I apprehend a 1938 mine and a new mine are on a par. There are just two classes?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): Would the minister make that explanation again? Then, he made a statement of principle to the effect that gold mines were taxed on a per unit produced basis, and that other industries were taxed on a per dollar invested basis.

Mr. ILSLEY: That is correct.

Mr. HANSON (York-Sunbury): Is that last statement exactly correct? Is it correct to say that they are taxed on a dollar invested basis? Is that the way to put it?

Mr. ILSLEY: Yes, I believe it is.

Mr. HANSON (York-Sunbury): Well, I do not know about that; I will have to think about it. I have no doubt the minister has thought a good deal about it, but that principle was never laid down to me before as a basis upon which industry is being taxed.

Mr. ILSLEY: I shall explain it.

[Mr. Ilsley.]

Mr. HANSON (York-Sunbury): I submit it is not an exactly correct statement of the position.

Mr. ILSLEY: I think it is pretty nearly correct.

Mr. HANSON (York-Sunbury): It may be, if it is explained.

Mr. ILSLEY: I shall try to explain it.

Mr. HANSON (York-Sunbury): Would the minister first refer to the gold?

Mr. ILSLEY: I would prefer to take this case first.

Mr. HANSON (York-Sunbury): All right. It will be satisfactory if the minister refers first to my last statement.

Mr. ILSLEY: We start our statute on this basis, namely, that we take standard profits. We had some discussion this afternoon as to how standard profits are ascertained. It is the profit in the average year of the standard period. We subtract this from the profits of the taxation year, and take 75 per cent of the difference. That is the basis of our excess profit taxation.

Mr. HANSON (York-Sunbury): With one exception: you make certain allowances, to which you have alluded.

Mr. ILSLEY: What allowances?

Mr. HANSON (York-Sunbury): An allowance of 12 per cent.

Mr. ILSLEY: Oh, that is a minimum. It must be over that.

Mr. HANSON (York-Sunbury): We are at cross purposes; we do not mean the same thing.

Mr. ILSLEY: It has to be more than 12 per cent; otherwise we take 12 per cent. That is an income tax. But I am talking about the excess profits tax. The excess profits tax is 75 per cent of that difference. The profits of a standard year are subtracted from the profits of a tax year, and 75 per cent of the difference is taken. That is on the assumption that the capital remains the same. But in respect of a company which has changed its capital there must be an adjustment of those figures. If the capital of the company is changed, or if, for instance, there were $2,000,000 invested in a tax year and $1,000,000 in the standard year, then it would not be satisfactory to make that subtraction, because your taxation would be oppressive, and entirely unfair. In other words, you would not be comparing like with like.

Probably I should not say this without further consideration, but it is possible that you would divide your profits in the taxing year in two, so as to get your profits on the

$1,000,000 invested, or what presumably would be the profits on the $1,000,000 invested, and compare that with the profits on the $1,000,000 invested in the standard period. But there might be some cases where the profits of a standard period would be doubled, and subtracted from your new profit. You would have to get them on a comparable basis. When you do that you are doing that to which I refer. You are taxing the increased earnings per dollar invested, because you are relating it to the capital. That is what I meant when I said that that is the principle underlying the taxation of ordinary industries. You are taking 75 per cent of excess earnings per dollar invested.

When you come to gold mines you are not doing that. You are operating on a different principle. That is the place where you take 75 per cent of excess earnings per ounce of gold produced. Oil wells are placed in the same category as gold mines, and the reason is this —I am sure hon. members will be interested in the reason.

Mr. HANSON (York-Sunbury): It does not mean a thing to me, unless I understand the underlying reason.

Mr. ILSLEY: I do not know, from personal experience, anything about the gold-mining industry, but I am told that the normal experience in that industry is something like this: In the first year of operation a comparatively small number of ounces of gold is produced. In the second year a larger number of ounces of gold is likely to be produced, without any increase in capital. Then in the third year perhaps a larger number of ounces is produced, and then the mine settles down—if something does not happen to it. The idea is that there is a slow period of development.

Therefore, if you were to take a mine with two or three years experience before the taxation year, and subtracted the profits from the profits earned in the taxation year, on the same capital, there would be a tremendous increase due, not to increased investment, but simply to the slowness of the mine coming into operation, and to the great jump in volume. Therefore it is deemed harsh to go on the basis that is applicable to other industries.

That is one reason, but there are others. This is giving the gold mines more favourable treatment, generally speaking, than is given to other industries. It may be argued that this should not be done. However, on the basis I have outlined it seems only fair that it should be done. Gold is in a category different from that of other products in Canada. It is a most essential commodity in supplying us with foreign exchange, and the encouragement of its production is extremely important. It is one product for which there is always a market, and a market at a certain price.

Mr. HANSON (York-Sunbury): You have only one buyer, have you not?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): And he may stop, after November?

Mr. ILSLEY: I do not know about that; all the more reason, if he does.

Mr. CRERAR: Not likely.

Mr. ILSLEY: I do not think it is likely, but that is all the more reason for selling as much as we can. However, I do not think there is any real reason for saying that. In the gold-mining industry high returns must be possible. It would be foolish to say that high returns must be guaranteed. They cannot be guaranteed, but high returns must be possible.

Mr. HANSON (York-Sunbury): I agree with that.

Mr. ILSLEY: They must be possible, because the capital asset may disappear. You may operate for a certain period, and then find there is nothing more available. It is useless to try to get capital into a business as risky as the production of gold, unless there is some possibility of high returns.

Mr. HANSON (York-Sunbury): That is the reason why they go into it.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): I still do not quite understand the other principle.

Mr. HANSON (Skeena): Mr. Chairman, I have in mind a gold operation in my constituency which the minister must agree is a very important one. This company produces between $500,000 and $700,000 worth of gold a year, and for some time it has been trying to get a post office. The minister is trying to encourage gold production, and in view of the fact that last March this company employed 115 men, which number has been increased to 125 men to-day, I think its application for a post office should receive consideration. This request should be granted by the Postmaster General (Mr. Mulock) without having to go through too much red tape. It would cost only a nominal figure to carry the mails to where this Surf Inlet Consolidated Gold Mines Limited is located.

The CHAIRMAN: I am afraid the question raised by the hon. member would be more properly raised when the estimates of the Postmaster General are before the committee of supply.

Mr. HANSON (Skeena): The minister has said that gold production is essential, and I am simply contending that consideration should be given to those who are producing gold. I think this company should be given reasonable facilities in order that it may be able to produce this essential commodity.

Mr. HANSON (York-Sunbury): I am inclined to agree with the hon. gentleman. I may say to him that his argument is just as relevant as many others I have heard in this house. Both the Minister of Finance, who controls the purse-strings, and the new Postmaster General are here and I think they should give some heed to this plea. I am going to back up the hon. member's demand. However, that is not my purpose in rising.

With the permission of the committee I should like to revert to resolution 4 in order to see if I understand just what this tax is. The minister made a statement a short time ago as to this tax; no doubt he is right and I am wrong, but I just want to see how nearly right my understanding is. One of the accountants of the department was good enough to come up to see me, and I think I understand this tax. However, when I consider it in the light of what the minister has said, I am not so sure. As I understand it, the best year within a determined range is taken by the department as the standard or base period.

Mr. ILSLEY: The average, not the best.

Mr. HANSON (York-Sunbury): I am sorry; I was referring to the British act. Under that act they take what is presumed to be the best year as the basic period, and then they take everything else, there being no corporate tax. In the case of a Canadian company earning $500,000 of taxable income, under the budget of last spring the income tax would be 15 per cent, or $75,000. That was raised to 18 per cent by the September budget, which would amount to $90,000. Assuming that the average profit for the previous four years was $100,000, there would be an excess profit of $400,000. I think these figures are easy to follow. Even if there were no excess profit for the four previous years, under this system the company would pay 12 per cent in addition to the 18 per cent?

Mr. ILSLEY: That is correct.

Mr. HANSON (York-Sunbury): So that irrespective of any excess profits, the company will pay 30 per cent?

Mr. ILSLEY: Correct.

Mr. HANSON (York-Sunbury): The income tax under this proposed statute would be 30 per cent on the $500,000—the total income for the coming taxable year—or $150,000. But before paying the 75 per cent rate on the excess profits of $400,000, there would be deducted the normal company income tax of 18 per cent—this is the deduction to which I referred a little while ago—which would amount to $72,000. So that $328,000, the difference between $72,000 and $400,000 excess profits, is all that would be liable to the 75 per cent tax or excess profits tax. This would amount to $246,000. Therefore the total liability of this company for income tax and excess profits tax is $246,000. There would be this 75 per cent on the $328,000, plus 18 per cent on $500,000, or $90,000, which would make a total liability of $336,000. With profits of $500,000 this would leave the company $164,000. As this amount of $164,000 is greater than 30 per cent of $500,000, the larger amount is payable.

Mr. ILSLEY: Should not my hon. friend have said that as $246,000 is greater?

Mr. HANSON (York-Sunbury): I do not suppose it makes any difference for my purpose. I have had it worked out in the form of a sum and I think I understand it now.

Mr. ILSLEY: The hon. gentleman understands why we deduct the income tax?

Mr. HANSON (York-Sunbury): Yes, I think I do. Possibly we were at cross purposes a little while ago. The minister may not have understood that I was speaking of the 75 per cent being assessed, not on the whole excess profits but on the excess profits less the deduction of 18 per cent.

Mr. ILSLEY: We take it on all that is left after paying the income tax. Before six o'clock we were speaking as though 25 per cent of the excess profits would be left to the company. That expression was used a number of times.

Mr. HANSON (York-Sunbury): It is more than that.

Mr. ILSLEY: It is less; it is only 20·5 per cent. Let me get that straight, because I am sure my hon. friends in the Cooperative Commonwealth Federation group will be interested in this. We have been talking about 100 per cent versus 75 per cent, but that is not quite the comparison. If the excess profits are $100, income tax at 18 per cent must be paid on that excess, which leaves taxable excess profits of $82. Then 75 per cent of $82 is taken in excess profits tax, which amounts to $61.50. Subtracting that from $82 leaves only $20.50 which the company has left out of its $100 excess profits.

Mr. HANSON (York-Sunbury): But the company I instanced has earned $100,000 of

[The Chairman.]

standard profits and $500,000 in the taxable period, and will still have left 32·8 per cent. of its earnings.

Mr. ILSLEY: I am speaking of the excess.

Mr. SLAGHT. Could we have a blackboard, Mr. Chairman?

Mr. ILSLEY: The hon. gentleman is talking about the percentage of earnings and I am talking about the percentage of excess profits.

Mr. HANSON (York-Sunbury): Two different things.

Mr. ILSLEY: Yes, that should be understood clearly. When we take 75 per cent of the excess profits under the excess profits tax, strange as it may seem we are not leaving 25 per cent in the hands of the company but only 20½ per cent.

Mr. HANSON (York-Sunbury): Of the excess?

Mr. ILSLEY: Of the excess.

Mr. HANSON (York-Sunbury): In the case I gave it would still leave about $64,000 of the excess, which would be 12½ per cent.

Mr. GREEN: With regard to the tax on gold mines, why was it not possible in the case of new mines simply to tax 75 per cent of the premium?

Mr. ILSLEY: In effect that is what was done.

Mr. GREEN: Why was the act not worded in that way?

Mr. ILSLEY: It was not just a choice of wording. It keeps it consistent with the whole taxation scheme.

Mr. GREEN: Just where does the board of referees fit into the picture with regard to these gold mines?

Mr. ILSLEY: That is provided for by paragraph (c) of resolution 5. I need not read it; it is there.

Mr. GREEN: Perhaps I should explain why I asked the minister that question. Apparently some concern is felt as to the effect of this taxation provision on United States capital which might otherwise come into Canada to develop new gold mines. Apparently in the United States the boards of referees in connection with taxation are not held in very high esteem, and it is felt that if it were possible to have a set tax on these mines instead of leaving it all to a board of referees, United States capital would be much less likely to be kept out of Canada. It is for that reason I should like to know just how the board of referees fits into the picture, and whether the board is actually to fix the tax. Has it that extensive power?

Mr. ILSLEY: The basis on which they fix the standard of profits is set out so clearly in the act that they cannot go astray, whatever "astray" would mean.

Mr. GREEN: They really have not much discretion?

Mr. ILSLEY: Very little in regard to gold mines.

Mr. GREEN: Is the exemption in regard to new gold mines under the Income Tax Act itself to remain, or is that being taken away?

Mr. ILSLEY: That remains.

Mr. HANSON (York-Sunbury): With respect to well-established gold mines, I have always understood that taxation in South Africa is very much more drastic than in Canada. I assume that their mines are richer even than our richest mine. I am not sure that that is correct, but I have heard that said. Is the minister able to give us a comparison between taxation imposed in South Africa and in Canada on established mines?

Mr. ILSLEY: No, I am afraid I cannot.

Mr. HANSON (York-Sunbury): Perhaps that is not a fair question to ask the minister without any notice, but I have been told that in South Africa they take more than half the profits of these old-established gold mines, but the companies still have enough left to make their stocks very valuable, as anyone who follows the quotations in the London papers will know. I remember that in 1934, during the depression, and after the price of gold had been raised to $35 an ounce, it was considered that this rise was an unearned increment, the increase being due to purely fortuitous circumstances to which neither the gold producers nor this country had contributed anything, and that the state might well get a share of that increase. That raised a great row. Talk about vested interests! I never saw anybody who raised such a row as we had on our hands at that time. If the minister cannot give me a comparison with South African taxation, perhaps my point in rising is useless, but I have always understood that our established gold mines were treated most liberally in the matter of depletion, and that a tremendous allowance was made to the dividend receivers. While of course it is necessary to encourage the production of gold in the country from the point of view the minister has mentioned, there is I think a corresponding obligation on the part of the gold mining people to make sacrifices just like any other class which has the ability to pay.

I am wondering if the minister is not perhaps treating them just a little too leniently. I do not know; I am asking for information. What portion of the $35 an ounce for gold would come into the treasury on this basis? Take Lake Shore, for instance. It is publicly-owned, or the public are interested in it at all events.

Mr. SLAGHT: Mr. Chairman, referring to paragraph (c) of resolution 5, to which the hon. member for Vancouver South (Mr. Green) referred a moment ago, I would suggest that the wording there is disturbing and I would ask the minister whether he would consider revising it. It directs the board to

. . . ascertain a standard of profits at such an amount which they think just—

I emphasize the phrase "which they think just." Then it proceeds:

—on the basis of a presumed volume of production—

And so on, completing the yardstick which the board are supposed to use. I suggest to the minister that he eliminate the phrase "which they think just" and leave the clause so that parliament provides the yardstick instead of providing that it shall be fixed at what the board think just. Why leave the margin of discretion in a board to think something, just when you are defining the method they must adopt? That may perhaps seem hair-splitting, but I suggest it is not, for this reason. In taxation of any kind, and particularly just now in the matter of taxation of gold mines, it is desirable to have certainty rather than uncertainty; it is desirable to have a fixed basis which the proposed investor may read, know and understand, instead of indicating to him that if he brings his money into Canada, or if he is a Canadian, invests his money here, he is going to be subject to taxation at the discretion or whim of a board who may think something is just. I can see a real distinction there. All hon. members are agreed, I think, upon the importance of encouraging gold production to the *n*th degree. If the minister can see no strong reason for maintaining the phrase I have mentioned, which indicates a leeway of mere thinking, by a board whose personnel will change and is not known to the intending investor, we shall have a sounder, safer basis of taxation, under which men may more confidently embark upon the investment of their money.

Mr. MacNICOL: May I ask the minister if these proposed taxes very greatly increase the present tax on gold production?

[Mr. R. B. Hanson.]

Mr. ILSLEY: Most companies will pay 30 per cent of their income in taxes, while now they are liable to pay 18 per cent. Most companies will pay on the 30 per cent basis instead of the 75 per cent basis of their excess basis.

Mr. HANSON (York-Sunbury): They will not come under the excess profits provision?

Mr. ILSLEY: Most of them will not, no. The bill to be founded on the resolutions meets, I think, the point raised by the hon. member for Parry Sound. My personal view is that a change such as he suggests might be to the disadvantage rather than the advantage of the mines. However, I am not just clear about that. Perhaps I should undertake to say why I think so. The principle which is laid down is that the department will take the volume of production in the taxation year and assume that there will be a similar volume of production in the previous period, in the average year of the standard period, and presumably this production will be taken as at the same cost as the cost during the taxation year. That is, there will be the same cost; therefore the increased profit could be nothing but the increased return per ounce, that is the $3.50 premium. That is what is anticipated. But I should think there might be a case where costs of production would rise in the taxation year, and it might be unfair not to give the board the right to say that they should take costs of production which actually have obtained in the standard period. If they did that, there would be a smaller excess. Perhaps I am not just clear about that, but there may be some reason, from that point of view, why that period should be given. I do not know whether I should read the bill now, but I think it makes the matter quite clear. The bill has this proviso:

Provided however that in the case of taxpayers engaged in the operation of gold mines or oil wells which have come into production since January 1, 1938, the amount of standard profits shall be ascertained on the basis of a presumed volume of production during the standard period equal to the volume of production of the taxpayer in the taxation year, and a presumed selling price during the standard period for the product equal to the average selling price of the said product during the standard period.

That is, the proviso is absolutely definite.

Mr. SLAGHT: I think, Mr. Chairman, that the minister, by giving us the language of the bill, has set at rest the doubts that I had, working from paragraph (c) of the resolution, because it does not say anything about what

the board may or may not think. The provision just read is a definite fixing of a yardstick of taxation, and that was all that I was seeking.

Mr. HANSON (York-Sunbury): Just one word more on gold mines. The minister said —and I quite appreciate it—that the tax most of them will pay will be 30 per cent—

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): —because, I assume, the price is more or less fixed and the production over this period of years is more or less constant. Therefore there will be no excess profit unless they were to cut down the cost of production or had an unusually high yield. I should like him to tell the committee and the country just what allowance the income tax officials make on gold mines for depletion of ore reserves, and, second, what the allowance is in the hands of the shareholders. I regard it as important that this information should be made public.

Mr. ILSLEY: The allowances for depletion have not been changed since we took office in 1935.

Mr. HANSON (York-Sunbury): I am not suggesting that they have been. Pretty liberal, are they not?

Mr. ILSLEY: It just depends on the point of view. I think these allowances are sufficient and I have repeatedly said so, but that has not prevented many representations being made to the effect that they are not sufficient. The depletion allowance to corporations is 33⅓ per cent.

Mr. HANSON (York-Sunbury): For depletion?

Mr. ILSLEY: For depletion; and the allowance to shareholders is 20 per cent. As I said, we have not changed those figures, although we have been repeatedly urged to do so on the ground that the allowances are inadequate.

Mr. HANSON (York-Sunbury): That is all I wanted to know. I do not know whether they are sufficient, or too liberal, or what they are. But let the fact be known that there is a depletion allowance of one-third and an allowance to the shareholder of one-fifth. There is not any other class in the world, as far as I know, which gets as large an allowance as that.

Mr. CRERAR: I should like to make a slight contribution to this discussion by replying to one or two remarks made by the leader of the opposition. Concerning the depletion allowance, I agree with the Minister of Finance that, taking everything into consideration, the depletion allowances to-day are fair. I do not think they are too generous. After all, the gold mining business differs from most other businesses. There has been a lure about gold from the earliest records of history. When there was a gold discovery in the Yukon, as in the closing years of the last century, people flocked from all parts of the world to the scene in the hope that they would make a stake. The history of the world is replete with instances of that kind. That means that the business of gold mining is very risky. I have had an opportunity to gain some knowledge in that respect during the last four or five years. It is a risky business because there may be excellent surface showings and an individual or a company may spend $10,000 or $20,000 or $50,000 or $100,000 in work to discover what there is behind the surface showings, and it may all be lost. This is not an uncommon experience.

Then there is another aspect. A gold mine or any other kind of mine is a wasting asset. It has a limited period of life. For instance may my hon. friend have, say a million dollars to invest—I am paying him I hope not too great a compliment. He looks round for a place to invest it. He may say, "Here is an opportunity to start a newspaper", and he buys equipment and plant. Or he may say, "I will go into business with this"; and if he is a prudent, skilful manager, as I am sure he would be, at the end of twenty years or so he not only has his capital intact but may well have created a good-will that is worth as much as the capital he invested.

On the other hand my hon. friend the Minister of Finance may invest his capital in a gold mine. He has satisfied himself that there is a sufficient body of ore, so he buys machinery and equipment, goes to all the expense of opening up the workings, setting up a community for his workmen, and of course he expects to make a profit out of his venture or he would not go into it. But at the end of twenty years the mine may be exhausted, and his capital has gone, unless he had some opportunity to get it back. That is the purpose of the depletion allowance, and I do not think it is too generous.

When speaking of this matter, may I refer to the price of gold. It is true that in the public estimation, when the price of gold was raised from $20.67 to $35 an ounce, it was regarded as a tremendous gain to the gold mines. As a matter of fact, it was not. All that the increase in price did was to make ore out of what had until then been waste rock.

Mr. HANSON (York-Sunbury): All of it?

Mr. CRERAR: Practically all.

Mr. HANSON (York-Sunbury): Oh, no.

Mr. CRERAR: Absolutely. The hon. member for the Yukon, who is familiar with gold mining, will corroborate that.

Mr. BLACK (Yukon): Certainly.

Mr. MacNICOL: Only the low grade mines.

Mr. CRERAR: No; take a mine like the Lake Shore, which has high grade ore so-called; it has ore all the way from perhaps $20 a ton in value down to 50 cents a ton. When the price of gold rose from $20 to $35 an ounce, all that happened in the Lake Shore mine was that more tons of ore were made available; the life of the mine was lengthened; greater stability was given to employment in the mine, and greater security to the general business of the community. I confess that I did not appreciate that fully in all its aspects until I made a study of this matter, but what I say in that respect is literally true, as any person who has been associated with gold mining in any way whatever will confirm. It is an illusion when the impression goes abroad that because the price of gold was increased from $20.67 to $35, gold mines had an opportunity thereby greatly to increase their profits. A gold mining company is interested in extending the life of its operations as far as it can. I venture to say that in most mines the average return per ton of ore has risen very little since the increase in the price of gold took place.

The gold mining industry is making a very important contribution to Canada at the present time. It made a great contribution throughout the depression years, because the mining industry was the one industry that from 1930 to 1940, irrespective of general business conditions prevailing, improved and increased its scale of operations and gave new employment to thousands of additional men; and not only did these benefits extend to the men working in the mines, but many of our industries in a score of cities and towns in Canada were kept going at a better pace because of the supplies and equipment which the gold mines and other mines were buying every week in the year. Consequently it is not an overstatement to say that our metal mining industry made a great contribution to Canada's economic well-being in the period I have just mentioned. And at the present time the fact that we had increased our gold production to almost $185,000,000 last year and may well reach $200,000,000 this year is one of the strongest sheet-anchors our country has in these difficult days in the matter of its foreign exchange.

Mr. HANSON (York-Sunbury): I agree with what the minister has said, and I also agree that there should be a large allowance for depletion; that is elementary, and applies to any mine. I am interested in a coal mine; we have to have a depletion charge every year, although of course the life of a coal mine is longer than that of some gold mines. But what I want to know is, does the experience of the department over a period of years bear out the statement of the minister that the depletion charge is fair?

The Minister of Mines and Resources left the impression in my mind that the increase in the price of gold from $20.67 to $35 an ounce has not proved of any appreciable benefit to the mines, but I suggest to him that on the high grade ore it has been of great benefit, as well as making ore of low grade material that otherwise would not be worked.

Mr. CRERAR: May I interrupt my hon. friend there? Let him examine the records of milling of almost every gold mine in this country and he will find that the average extraction per ton has increased but little, if at all, with the increase in the price of gold. Why? Because they have diluted the more valuable ore with the low grade ore.

Mr. HANSON (York-Sunbury): And that is good business.

Mr. CRERAR: That is good business because it extends the life of the mine.

Mr. HANSON (York-Sunbury): But on the high grade ore it has been of great advantage to the gold mines because it has made it possible to work low grade ores and average the thing up, just for the purpose the minister has stated, namely, extending the life of the mine. They are to be commended for that. I am not condemning the gold mines, but am wondering whether in these days of sacrifice they are bearing their fair share of the burden along with the rest of us. That is my only point. I leave it there.

Mr. DOUGLAS (Weyburn): I should like to ask two questions of the minister. First, if I understood him correctly, the tax will be on the increase in the value of the unit of the commodity. That is assuming a price of $38.50. In the event of the price going back to $35, how would the tax be assessed?

Mr. ILSLEY: There would be no excess profits tax then. In the case of these new mines the corporation would be subject to the 30 per cent corporation tax on the income.

Mr. DOUGLAS (Weyburn): Yet in that period there might have been a great increase in volume and in profit, but no extra tax would be levied over and above the minimum?

Mr. ILSLEY: Yes, there may have been an increase in volume, but in that case we would be thrown back on the 30 per cent corporation tax.

Mr. DOUGLAS (Weyburn): Under paragraph (a), as I understand it, a firm that had gone through a depressed period during the standard years could make application for a board of referees, and the profit could be set at not less than 5 per cent and not more than 10 per cent. Why could not the same principle be applied to a firm which had obtained an exceptionally good return during those standard years? For instance, a firm producing minerals or metals used in the rearmament programmes of the different countries during the last five or six years would have had very high profits, which they would not be likely to exceed during the present period. Why could not the same principle be applied to them? If you are setting up a minimum, why not set up a maximum also?

Mr. ILSLEY: That would involve the setting of a fair rate of return on the capital of every business in Canada, which would be beyond the realm of possibility of administration, for the reasons I gave the hon. gentleman yesterday. There are too many businesses in the country to permit of that being done. In that instance the application would not be made by the company; it would be made by the crown. We would be going to companies and pulling down their maximum, and we never could get through with it. Even if we did, we would not know whether or not we had arrived at a fair result. For the reasons I gave the hon. gentleman yesterday when I was speaking of this, we have to take as the standard something that is accomplished, namely, what they have earned in the great majority of cases, the normal run of cases, during the pre-war period. We have taken a fair period; we have run back into some fairly bad years, so we have not been unduly favourable to the companies. Certainly the hon. member would not think so if he heard some of the representations we have received from them.

Mr. DOUGLAS (Weyburn): I am inclined to think that the minister probably is making it appear more complicated than otherwise it might be. If it is going to be possible for this board to handle the representations of firms who claim these years represent depressed years for them, I see no reason why the crown could not make applications to deal with firms which had experienced extraordinarily large profits during that same period. It would not mean going into the affairs of every firm; it would only mean dealing with those above a certain maximum of, say 15 or 20 per cent. There would not be many firms running above that. Some maximum could be set, and application could be made to review those firms.

Mr. ILSLEY: We would have to examine the balance sheets and probably the income tax returns of every business in Canada if we undertook to do that; and then we would have to decide whether the earnings were fair, having in mind all the attendant circumstances, the degree of risk involved and so on. There would be all sorts of things to consider; we simply could not do it. Instead, we have set this 30 per cent minimum, which is a powerful provision. If they pay that much they are paying a good deal, and they will have to pay that regardless of whether or not they have any excess profits. When you set a sufficiently high minimum return, it is just a waste of time to run around trying to fix a fair return and take a portion of the excess.

Mr. SENN: Paragraph (c) provides special treatment for gold mines and oil wells, probably because they are hazardous and speculative enterprises. In Ontario there is quite an industry in connection with the production of natural gas, which is also highly speculative. I was wondering if the minister intended to include natural gas wells with the oil wells, or if it is intended to neglect the claims of that industry.

Mr. ILSLEY: There may be many rather small industries like that for which some sort of case can be made. As I have said, the place to draw this line is the most difficult thing in the world to decide. There is, however, this to be said about gold mining and the production of oil. In the one case the production and export of gold brings a large amount of foreign exchange to this country, while the development of oil wells helps avoid the necessity of exporting a great deal of exchange. From the financial point of view these are two powerful reasons for making this concession; or perhaps I should not put it in that way. They are two powerful reasons for treating these companies in a different and perhaps somewhat more favourable way than we treat other industries to which these considerations do not apply.

Mr. SENN: I should like to point out that this industry is highly speculative and that it serves a useful purpose in providing fuel for a large section of Ontario and, I believe, other parts of the country as well. If it is too highly taxed, the effect will be to limit production, thus removing any possibility of supplying this fuel to any greater area. I would suggest that the minister give this question careful consideration.

Mr. ROSS (Calgary East): The minister has stated the depreciation allowance in the case of gold mines. Would he be good enough to state the depreciation allowance in regard to oil wells and also gas wells?

Mr. ILSLEY: The allowance we have been discussing is the depletion allowance. It is 25 per cent in the case of oil wells, I think, and 10 per cent for the shareholders. I should like to verify that, however; I am not prepared on that phase of the question, which is not germane to the measure under consideration. That question came up more by inadvertence than anything else, but I shall verify what I have said and give the hon. gentleman the information.

Mr. BLACK (Yukon): This resolution provides for the establishment of a board of referees. Could the minister give us any idea of how that board will be selected, from what walks of life they will be chosen, who will appoint them and what their qualifications will be?

Mr. ILSLEY: I have given some consideration to the question of their qualifications, but the government has not done so as a government. They will be appointed by the Minister of National Revenue, not by the Minister of Finance. They will have to possess very high qualifications. That is about the best I can say. They will have to discharge a difficult task, and it will be most important to get the best men in the country for this work. Great care will be taken if I have anything to do with the matter.

Mr. BLACK (Yukon): Will it be a stationary and fixed board in Ottawa, or will the board travel over the country, to the mines of the west and north, for instance?

Mr. ILSLEY: Those matters have not been decided. Consideration has been given to the possibility of having a board with panels; perhaps a board of six, with three panels of two each, but I do not know whether we shall do that or have a fixed board of three in Ottawa. I am afraid we shall require more than one body sitting at the same time; otherwise the business will not be overtaken. I am afraid of that, but these are matters for the consideration of the hon. gentleman who occupies the position of Minister of National Revenue.

Mr. BLACK (Yukon): Could the minister give the committee any idea as to just what will be the rate of taxation on a new gold mine, for instance? This resolution states that a board of referees is to be established to ascertain a standard of profits for new businesses, and then continues:

(c) In the case of a taxpayer engaged in the operation of a gold mine or an oil well which has come into production since January 1, 1938, the minister may direct that the board ascertain a standard of profits at such an amount which they think just on the basis of a presumed volume of production during the standard period equal to the volume of production in the taxation year and a presumed selling price for the product during the standard period equal to the average selling price of the said product during the standard period.

How is a mine operator or a mine owner to know what his taxes are to be? Does the minister not think it would be better to fix a rate of taxation, a percentage of production or a percentage of actual profits, so that they would know what to meet? Under the resolution, as I see it, it is left to the decision of the board of referees or to the opinion of the minister, and they may differ entirely in different cases.

Mr. ILSLEY: No, I do not agree with that. Nothing could be more definite than the taxation that is to be imposed on a new mine. It is to be 75 per cent of the premium on gold, or 12 per cent on the profits of the mine, whichever may be the greater. That is what it will be, because if there are new mines they are going to have exemption from income tax. Nothing could be more definite than that.

Mr. BLACK (Yukon): What does the minister mean by 75 per cent of the premium on gold?

Mr. ILSLEY: There is a premium on gold. Gold was worth $35 an ounce before the war, and it is worth $38.50 now. When we are setting up an artificial period there, we are assuming that the mine is producing the same number of ounces as it produced before, selling them at $35 instead of $38.50 an ounce. The matter of assumed cost of production is not fixed here; that is left to the board, but normally one would assume that they would take the same cost of production in the assumed period and in the taxation year. And if they do take the same cost, it brings the matter down to a simple arithmetical computation—75 per cent of $3.50 for every ounce produced. It is either that or 12 per cent on the income, whichever may be the greater.

Mr. SLAGHT: Just a further word respecting taxation on gold mines, before we leave the item. A few minutes ago the leader of the opposition, while not desiring to disturb the proposed tax, as I understand him, indicated just before he took his seat that perhaps this industry was better treated than almost any other. I should like to explain for his benefit and for the benefit of other hon. members of the committee why I suggest that this is not a correct review of the position. He asked, and was informed that on his gold

stocks the shareholder in his income return is exempted to the extent of 20 per cent of the revenue he receives from gold mines.

I do not know in what particular manner the leader of the opposition may have invested his surplus goods in this world. He may have invested in real estate or in houses. But let me illustrate to him why it is extremely just that on revenue from gold mines there should be at least a 20 per cent exemption from taxation in respect of income tax. I believe I can illustrate it in this way: We shall assume that a company is engaged in building and selling houses. That is their business. We shall say that in one year they have completed the building of one hundred houses at a cost of $1,600 each. In one year of operation we shall say that they sell five houses at $2,000 each, bringing them in $10,000. So far as income tax is concerned, that company would pay taxes only upon the difference between $1,600, the cost of each house, and $2,000, the selling price of each house, because that difference would be their profit on the transaction, and, if you like, their income for that year. In other words, they would be taxed on $2,000 instead of on the whole $10,000 they received for the five houses.

Let us now turn to the man who has a gold stock. We shall suppose that in one year he receives a dividend cheque of $1,000 from that gold stock. On that he is given an exemption of 20 per cent. We say to him, "Instead of taxing you as having received an income of $1,000, we tax you as having received an income of only $800, and we exempt you from taxation on the remaining $200". Why do we do that? I believe the reason, if properly understood, shows the fairness of it.

A gold mine is only so much gold beneath the ground. Every year you take out a portion of that gold, sell it and return it to the shareholders by way of dividends, you have depleted the capital of your asset and the value of your property. The cheque for $1,000 which goes to the shareholder is, in one view of it, only a procedure of handing him back his capital asset.

Mr. HANSON (York-Sunbury): Or part of it.

Mr. SLAGHT: Yes, or part of it. Assuming that that mine could be worked out in one year, and that the $1,000 was all he would ever get—and I am afraid there have been mines which have worked out in one year—

Mr. MacNICOL: Some of them never work at all.

Mr. SLAGHT: That is even worse. But, of course, they never paid at all if they have not received any fruits. However, this is a serious matter, and, if properly understood, I believe the people will appreciate to the full the fact that gold mines are not being given preferential treatment. If, as I was pointing out, his whole capital was worked out in one year, and the shareholder in question received $1,000, all his capital would be handed back to him, and there would be no more. No one would suggest it would be fair to tax him on that $1,000 capital, as though it was all income for the year.

That explains the exemption of 20 per cent which, in my view, is not too liberal. In fact, I believe it is illiberal and does not really cover the situation. However, I believe the gold-mining industry in Canada is quite prepared to bear its full share of the burden of taxation, and the question of the increase in the price of gold from $20 to $35 has been looked upon as though it were some favoured treatment which this government or perhaps the Great Architect of the Universe has bestowed upon that industry as a special favour. Neither situation is true. The government of Canada, despite all the many good things it has done, had not one thing to do with that increase in the price of gold, nor had the Creator, nor was it mere luck.

Mr. HANSON (York-Sunbury): It was Santa Claus.

Mr. SLAGHT: Our friends in the United States, by fixing the price of gold at $35 and by being prepared to buy all the gold offered to them on all the world markets at that figure are the good Samaritans who have given Canada the resulting benefit. We have benefited because we are a gold-producing country. So I say that neither this nor any other government has bestowed that favour upon the gold-mining industry of Canada. It came to us in that fortuitous way. That is the second point to remember.

Therefore we do not want the people of the country to think that this great industry, now so important, is being favoured by any government. It is being given its full share of taxation, and I believe the industry is prepared to absorb it, adapt it and pay it.

Mr. HANSON (York-Sunbury): I had not any intention of going farther into the matter, but I should not like the impression to go abroad that I am attacking the gold-mining industry. I just wish the facts to be known. I do not think the public have known. Down in my country we have no gold mines, but we have some low grade coal mines. They do not know anything about depletion allowances. I simply wanted to get it on the record that there was such a thing as a depletion allowance. I understand the principle upon which it is based and also the

principle upon which allowances made to the shareholders are based. I am prepared to accept the decision of those in the department who are experienced, because I do not know. Of course, the hon. gentleman does know, I assume because of his connection with the industry. If he is prepared to argue the case, I am not. I only want the known facts to come out. Do they have a board of referees in England?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): What type of men make up the membership of that board? I have the idea that they do this sort of thing much better in England than we in Canada.

Mr. ILSLEY: I am told it has not been appointed, but it is provided for in the new legislation.

Mr. HANSON (York-Sunbury): I hope, when the government come to appoint this board, they will make it understood that the membership must be made up of the best men that can be found, men who are above reproach.

Mr. ILSLEY: It may be unnecessary to say it, but I want to say that I hope to have as members of this board men possessing the highest talents, the widest experience in business life, and perhaps some legal training as well. I hope they will regard this work as being a war service because it will not be possible to pay what I hope they will be worth.

Mr. CASTLEDEN: I followed what the minister said with regard to gold production, but it seems to me that in the production of oil we have an almost opposite condition. When an oil well comes into production it usually starts off at capacity, and there is no premium paid for the production of oil. I understand that at the present time there are prorating regulations in effect in the largest oil producing field in the province. Would the minister mind explaining how this policy will apply to the oil industry?

Mr. ILSLEY: I understand that there may be two or three years' operation before there are any profits. In any event, I come back to our minimum of 30 per cent. I believe that is going to prevent a great deal of criticism.

Mr. ADAMSON: I should like to associate myself with what the Minister of Mines and Resources and the hon. member for Parry Sound have said. I do not think it is generally realized to what extent the gold mines of

Canada are being taxed to-day. They are paying at the rate of about 45 per cent in Ontario; that is, with provincial and dominion taxation. They are not complaining, but they want it known that they are being taxed quite heavily. I think it is necessary to have some flexibility in the administration of these taxes, and this may be provided by the board of referees. I should like to refer briefly to the Omega and Howey mines. The latter is only a salvage proposition at the present time, the value of the ore being something like $1.85 a ton with costs running around $1.73 a ton. To impose extra taxation on a mine like that will prevent the production of any gold still underground. This board of referees is most essential in deciding a case like this.

In the case of the Omega mine, the profit is around 31 cents a ton. The government is taking 24 cents a ton, which leaves only seven cents. Under this system it is quite possible that this mine will not be able to continue in production and the country will lose a further source of production of gold.

Base metal mining has not been referred to, but I should like to tell the committee that at the beginning of the war the base metal industry undertook to supply copper, nickel, lead and zinc at prices which were under Canadian and the United States market prices. These contracts were for long periods so that Great Britain and her allies would have a secure source of base metals at a fixed price. The International Nickel Company, Consolidated Smelters, Flin Flon, Hudson Bay and Noranda all entered into these contracts to provide metals at prices which in many instances gave them a lower profit than they had been getting. I suggest to the minister that this is a matter of great importance. Any suggestion that these mines are not taxed sufficiently is dangerous. Any loss of production means a loss of foreign exchange, and this matter should be handled with the greatest care.

It should be understood that we had nothing to do with raising the price of gold. We are a gold producing country, and the price of that commodity went up because of world conditions. It would be just as wrong to say that because we produce a great volume of wheat, we are to blame for the decrease in the price of that commodity. It must be understood that this was due to world conditions beyond our control. I want to make that point quite clear so that the committee and the country will realize that it was not this government or the government of the United States that put up the price of gold. They simply found themselves in a position where they could not pay their bonded indebtedness with the then price of gold.

They had to undertake a certain measure of inflation, and the run on the banks in the United States was due simply to their inability to meet their contracts with the old price of gold. That is what it boils down to.

I should like to say a word about the suggestion that the increased price of gold makes mining more profitable. The McIntyre mine has discovered a vein of high grade ore which will run over an ounce per ton and is a good width. The increased price of gold and the discovery of that vein had a similar effect upon the mine. In other words, they were able to mine immense blocks of ore which they could not have taken out profitably before. They did make a profit, but their profits have not increased greatly. The important point to the country is this, that the production of that gold gave us foreign exchange; further, it provided work, and work in the mining industry during the past ten years was vital to Canada. Had not gold been discovered, gold mines developed and the price of gold increased, we would not have had men gainfully employed all over our great north country, but instead they would very likely have been on relief and relief taxation would have mounted even higher than it did in that period.

Australia imposed extremely heavy taxation on gold, so much so that it practically killed the gold mining industry at Coolgardie and Kalgourlie, and then when they found they needed gold in the worst way they had to pay a bonus over the world price for gold produced in Australia. They had practically killed the goose that laid the golden egg. Gold production is absolutely vital to our foreign exchange, and one of the most dangerous things we can do is to interfere with its production.

In South Africa two considerations have to be borne in mind. Gold there is deposited differently. It is found in reefs, and if you discover a gold reef you are almost sure to find the gold carried through down to a great depth. Once you discover your reef of gold you can get your company floated and a mine is assured. You drill through the conglomerate and you are almost certain to find a gold deposit.

But in Canada nothing is certain. Only one out of every 600 gold mining prospects ever comes into production. I do not mean the dividend-paying stage; I am speaking of the producing stage. Geological conditions in Canada are extremely difficult to understand and they vary frequently as between one end of a camp and the other. To find a gold-mining prospect that will prove to be a gold producer is one of the most difficult things to do, and a system of taxation that takes practically 45 per cent of the profits is very likely to kill the incentive to the discovery and production of gold. It is an important matter, and a serious decision that we are asked to make to-night on this question.

One other thing has happened in South Africa. In some instances the government owns the reef where the gold was discovered. The government owns part of the Witwaters Rand, for instance, and hon. members will see quotations under the name of Government Areas, a well known mining stock quoted in London. The land over the mine belongs to the government, and the government exacts a royalty on the gold produced. That is why in many instances the rate of taxation in South Africa is apparently higher than it is in Canada. But that will not be the case if this new taxation goes into effect. Even in South Africa the government had to revise their taxation downwards because they found they were destroying the incentive to produce gold. The one thing we have to worry about in Canada is to get your ounce of gold into a bar and sell it to the United States for urgently needed war materials.

Resolution agreed to.

Mr. HANSON (York-Sunbury): Before we go any further, may I suggest to the minister that it is the practice that when a certain set of resolutions has passed the house, the Income War Tax Act resolutions, for instance, the minister introduces his bill before proceeding to the next set of resolutions, so that the members may have it before them and have an opportunity of studying its provisions. That is the common practice, I understand, and I think it ought to be followed.

Mr. ILSLEY: I have not quite got it ready.

Mr. HANSON (York-Sunbury): If the bill is not ready, that is a complete answer, but I should like to see the bill brought down as soon as possible.

Mr. ILSLEY: I think I shall be in a position to introduce it to-morrow.

Mr. HANSON (York-Sunbury): That will be all right.

Mr. ILSLEY: I could introduce it formally to-night without having it ready, but you would not be any further ahead.

Mr. HANSON (York-Sunbury): It would not help us any if we could not peruse it.

6. That the minister may adjust the standard profits so as to ensure the comparison of like with like in the following cases:

(a) where the accounting period in the taxation year is longer or shorter than the standard accounting period;

(b) where the capital employed in the taxation year has been substantially increased or decreased over that of the standard period by the contribution or withdrawal of capital;

(c) in the case of gold mines and oil wells where the volume of production in the taxation year has been substantially increased or decreased over that of the standard period.

Resolution agreed to.

7. That there be exempted from the tax imposed under the said act:

(a) small businesses where the profits before any salary or drawings by proprietors or shareholders do not exceed five thousand dollars per annum;

(b) personal corporations which act solely as investment-holding agencies of individual Canadian taxpayers;

(c) non-resident-owned investment corporations.

Mr. HANSON (York-Sunbury): Does paragraph (b) which refers to investment-holding agencies apply to investment trusts or just to pure holding companies? Just what is the position with respect to investment trusts? I ask simply for information. I have no instructions at all in the matter, but I should like to know.

Mr. ILSLEY: Investment companies are taxable and subject to the provisions of the act.

Mr. HANSON (York-Sunbury): And they are going to pay 30 per cent.

Mr. ILSLEY: We are getting plenty of representations about that, which we are considering, but at the moment investment companies are subject to the legislation as drafted. This relates only to personal corporations.

Mr. HANSON (York-Sunbury): I am interested only in a limited way. My experience with investment trusts has not been any too good, and if the government takes very much more in taxation I shall not get anything. Some of these companies have been through hard times, and 30 per cent strikes me as a considerable tax on investment trusts.

Mr. ILSLEY: The hon. gentleman understands that it does not apply to dividends received from Canadian companies. If the investment company holds Canadian securities only, to the extent that its income is in dividends from Canadian companies it is not subject to taxation.

Mr. HANSON (York-Sunbury): Share dividends, but not bond interest?

Mr. ILSLEY: Yes.

Mr. BLACK (Yukon): Why are non-resident-owned investment corporations exempt?

Mr. ILSLEY: Their status is essentially that of non-residents. They are owned wholly by persons who reside outside the Dominion of Canada. The theory underlying the present taxation provisions relating to non-resident-owned investment corporations is that they should be taxed only approximately the amount of the withholding tax, that is 5 per cent, and the act is framed accordingly. It requires a very good lawyer to take that out of the act, but that is what it comes to in the end, and that was in the mind of the draftsman of these provisions, in the beginning. I know, because they were introduced by way of amendment in 1937. Now, to subject these non-residents—essentially non-resident even though they have formed themselves into a company, with an office in Montreal or Charlottetown or some other place in Canada—to the same tax as resident-owned companies, would not be in keeping with the purpose of the provisions relating to non-resident-owned corporations.

Mr. HANSON (York-Sunbury): The minister would not say, I suppose, that these companies are here because they are tax-dodgers in their own country? Nor am I saying it, but—

Mr. ILSLEY: I did know more about them than I do now. I have forgotten a great deal of the information I had about these companies.

Mr. CASTLEDEN: Are the profits of these corporations not made on Canadian transactions? Then why not tax them?

Mr. ILSLEY: They may hold either Canadian securities or foreign securities, but they are not residents. The company is here, in form, but it would not be here but for the fact that we tax these companies only 5 per cent.

Mr. CASTLEDEN: They come here for protection.

Mr. ILSLEY: They come here for various purposes. As I say, I really forget the reasons; I could not make a complete statement as to why they come here.

Mr. CASTLEDEN: The minister might make one later on.

Mr. JACKMAN: I hope the minister will give full consideration to including as exempt under resolution 7 investment companies other than the personal corporations which are mentioned in the resolution. I should like to point out to him what a serious disability these investment companies labour under at the present time in connection with the corporation tax. Let me give an illustration. A trust with a capital of $1,000,000 invested, say in bonds at 5 per cent, has an income of $50,000. The management fee, which is the charge for the only value added to it, repre-

senting an item which might be equivalent to value added in manufacture if one were processing goods, is half of one per cent, namely, $5,000. Yet if this company receives $50,000 of income through holding bonds, the tax on that under the present schedule would be 30 per cent, or $15,000. Here we have the absurd situation of a company, on the one hand, merely charging $5,000, which is all it can obtain for having rendered the service of looking after these investments, and then the government, on the other, for doing nothing at all in this particular instance, charging 30 per cent on the $50,000, or $15,000, which is three times the management fee. The two things are not comparable. All that an investment company does is to act as a conduit between the earning corporation and the ultimate recipient, so there is no service to be rendered to the company by the government. For its small service the management is entitled to only $5,000, yet the government charges $15,000.

The minister mentioned that stocks of other Canadian corporations were tax free in the hands of an investment trust company operating under a Canadian charter. That is quite so, and on investigation he will probably find that a goodly portion of the securities these investment companies hold are not bonds, but shares in other Canadian companies, because the onerous taxation of the last ten or fifteen years has driven investment companies into acquiring shares of other Canadian companies rather than buying the bonds of the government or of other corporations. We have there a situation which is virtually killing the business. If it were better known how serious the taxation burden was, I do not think a justification for most investment trusts could be made.

Resolution agreed to.

8. That sole proprietorships or partnerships be allowed to claim as a reduction such reasonable amount for salaries paid to the proprietor, or partners as the minister may determine, not to exceed five thousand dollars per year for each.

Mr. ADAMSON: Would the clause under resolution 7, relating to non-resident-owned investment corporations include a man owning an oil well abroad, say in Venezuela?

Mr. ILSLEY: The shareholders must be resident abroad.

Mr. HANSON (York-Sunbury): Would the minister say why the limit of five thousand dollars is placed? I do not know whether it is reasonable or not. I should like to know.

Mr. ILSLEY: In the British act a £1,000 salary is allowed under similar conditions to persons who work in their own businesses. That is, if the partners work, though not full time, a large part of the time—perhaps in the British act full time is not required, but it is substantially so—they are allowed £1,000 salary; and we have adopted that as reasonable.

Mr. HANSON (York-Sunbury): That may be sufficient. I would not suppose it was. It would depend entirely, of course, on the size of the partnership, the nature and volume of the business, how successful it was and all that sort of thing. There are a great many factors to be taken into account. This is, of course, the most which may be allowed.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): It seems to me that a fixed arbitrary maximum is not based exactly on principle.

Mr. ILSLEY: Under the Income War Tax Act no allowance at all has been made.

Mr. HANSON (York-Sunbury): That is true. But this is under another act.

Mr. GRAHAM: Just one more question on resolution 8. Why should the proprietor of a small business probably requiring much more attention and as much executive ability as the operation of a large corporation, be discriminated against, if there is discrimination, as against a mere executive officer of a corporation?

Mr. ILSLEY: This does not really make very much difference. If I had an instance worked out I would give it to the hon. gentleman. That is, it does not make much difference whether you put $5,000 there or $20,000, except under certain exceptional circumstances. It would take too long to go into that now. That $5,000 seems more like a normal salary for a small business than $15,000.

Mr. GRAHAM: But sometimes a fairly large business is conducted by an individual or a partnership. It seems to me that this leaves the possibility of discrimination against a substantial business that may be conducted by a partnership or an individual.

Mr. ILSLEY: It is only in rare instances that it makes any difference whether this is $5,000 or $20,000, because the amount is allowed in the base period as well as in the taxation year. So if the 75 per cent—not the 12 per cent—is applied, it does not make any difference; the result is going to be the same. It is only in a small class of cases that this has any relevancy. If the hon. member will see me about that, I shall explain it further.

Resolution agreed to.

95826—98½

9. That in the case of a taxpayer who acquired a business as a going concern since January 1st, 1938, the minister may direct that the standard profits of the predecessor may be added to those of the taxpayer if the minister is satisfied that the trade or business of the predecessor and the taxpayer is not substantially different.

Resolution agreed to.

10. That the definition of average profits during the standard period be revised to provide that only the profits of the standard period shall be taken into account when determining the average of the years during the standard period when the taxpayer was in business.

Resolution agreed to.

11. That, in order to prevent evasion, power be given the minister to:

(a) disallow the deduction of disbursements by the taxpayer which the minister in his discretion may determine to be in excess of what is reasonable and normal for the business;

(b) assess without regard to specious transactions or reorganizations which the treasury board has found to have no reasonable business purpose other than that of avoidance or minimization of taxation.

Mr. HANSON (York-Sunbury): In reference to paragraph (a), I suppose the department has to be on guard all the time against attempts to evade the tax by writing up expenses and disbursements. But after all this is an arbitrary power for the minister to have. This principle is new, I assume. Have we this in the income tax?

Mr. ILSLEY: It is the same thing we were discussing the day before yesterday.

Mr. HANSON (York-Sunbury): Perhaps I was not here. I hope that there would not be arbitrary action by the Minister in regard to this sort of thing, because if the taxpayer is a reputable man he should know more about what is necessary than any departmental official. If a certain outlay is a little higher this year than last year, or higher next year than this year, that should not bar him out; he should be allowed to make his case. It is the old case of the minister being judge and jury. I do not like that principle; it seems to me there ought to be some other system. I do not know that there has been any abuse, but we might not always have such a fine Minister of National Revenue as the hon. member for Hamilton West will, I hope, prove to be, a man of such high character. We might have an arbitrary minister; I have seen such. I wish the department could set up some other principle than this of having the minister the taxing authority and then the judge of the justice of the assessment. I am not going to say any more about the matter; the statement is there and if it falls on deaf ears I can do no more.

[Mr. Ilsley.]

Mr. MARTIN: It may even be dealt with by officials who have no experience at all.

Mr. HANSON (York-Sunbury): I have found most of the officials very good, but there is some truth in what the hon. member says; sometimes you find an arbitrary official who has had no practical business experience.

Mr. EDWARDS: Does the phrase "in excess of what is reasonable and normal for the business" mean for that particular type of business, or for the business being operated by the taxpayer? If it has no relation to similar lines of business in the same locality, there is no standard whatsoever.

Mr. HANSON (York-Sunbury): It is open to two interpretations.

Mr. EDWARDS: I should like to get that clear. If a standard is to be arrived at by comparison with the same or similar lines of business in that locality, I can see that you could arrive at some fair or reasonable measure. But if it is the old story of just taking that particular business and the minister determining what is fair in so far as that particular business is concerned, without relation to what proprietors in the same or similar lines of business would do, a manifest injustice comes in there in connection with this resolution as it did in connection with the similar section in the Excess Profits Tax Act.

Mr. ILSLEY: No one could fix what is reasonable or normal in the business carried on by the taxpayer without some inquiry as to what is reasonable and normal in similar businesses in the locality, although I must say that it is what is reasonable and normal for the particular business.

Mr. HANSON (York-Sunbury): That is the intention?

Mr. ILSLEY: That is what is said, what is reasonable and normal for the particular business. But I do not think the minister could possibly decide what was reasonable and normal unless he took into account what was paid in similar businesses.

Mr. STIRLING: In other parts of the country? Suppose it is a bakery business, does it mean that the conditions of the bakery business in that piece of geography will be considered, or the bakery business all over Canada?

Mr. ILSLEY: I would think in that district. There must be some latitude allowed in order to arrive at what is reasonable and normal. I would not want to specify here exactly what factors would be taken into account or what would be left out of account.

Mr. POTTIER: Under this section apparently the minister has discretion to determine the amount. Is there any appeal from the minister's determination, or it is final? Under the Income Tax Act I believe there is an appeal. Is there an appeal here?

Mr. ILSLEY: There is the same appeal here that there is under the Income War Tax Act. That is, the appeal provisions of the Income War Tax Act apply to the Excess Profits Tax Act, but I think I should say that I am not satisfied that there would be an appeal where the minister exercises his discretion. I gave that opinion the other night and it has been doubted since. I have not come to any hard and fast conclusion about that.

Mr. TUSTIN: What do these disbursements include? Do they include repairs and such matters?

Mr. ILSLEY: Yes.

Mr. TUSTIN: Then this seems to go rather far. How will the department arrive at an average with regard to a manufacturing concern, for instance? This year expenditures for repairs may amount to 5 per cent, while next year they may amount to 15 per cent. How is the minister to arrive at a reasonable rate for any particular year?

Mr. ILSLEY: As a matter of practice, no disbursements or expenditures would be interfered with unless there was something manifestly wrong with them or unless something made the inspector of the department suspicious. If something stood out which appeared as though the taxpayer were padding his expenses in order to keep down his excess profits, it would be inquired into. Normally that would not be necessary at all, but we want power to look into it. In the income tax administration we have had instances where businesses undertook to pay very large salaries to several members of the family of the controlling shareholders, obviously in order to reduce the corporate profits, so they would not have to pay as large a tax on those profits. The object of this resolution is to enable the minister to cut down such expenditures. I could give the committee instances which would shock hon. members and cause them to say, "Why, certainly; the minister must have power to slash those costs." There have been instances where salaries of $10,000 or $15,000 have been paid to persons not even working there, perhaps a son who was away or working somewhere else.

Mr. TUSTIN: Undoubtedly the minister requires power to deal with such instances, but I am sure the minister can quite readily see that there may be a wide variation in the legitimate cost of repairs. That cost might be 5 per cent this year and perhaps 20 per cent next year, and in both instances it might be strictly legitimate. But there might be a tendency on the part of the department to say that the cost this year is far in excess of what it was last year, and that the expenditure should be cut down, while it may be an absolutely legitimate expense. Yet the minister takes power under himself or under his department not to allow that expenditure if he wishes to do so.

Mr. ILSLEY: I would expect the department to be reasonable in a case of that kind.

Mr. KINLEY: It must not be forgotten that he can write off depreciation also.

Resolution agreed to.

12. That capital be redefined having regard to the cost price of the assets presently employed by the taxpayer less depreciation or depletion thereof, and deducting borrowed money and debts, with a proviso that non-productive assets, assets not actually employed in the production of profits, and assets producing tax-exempt income, shall not be included.

Mr. JACKMAN: Where you are redefining capital and fixing the amount on which you are going to allow a profit of from 5 to 10 per cent if an application is made under resolution 5 for special treatment, something is mentioned about the cost of the asset. Would that be the cost to the reorganized company, assuming it had taken out a new charter within the last three or four years, or do you go back to the original cost? I wonder if we could have some clarification of what is meant by "cost"?

Mr. ILSLEY: There is a lengthy definition of capital in the schedule to the act, and I think it would be better to wait until we reach that definition. The hon. gentleman will have the same rights there that he has here. When he sees the schedule his questions may be answered; if they are not, he can put them again.

Resolution agreed to.

13. That there be allowed a tax credit in respect of the amount of excess profits tax or similar tax paid to the government of the United Kingdom or to the governments of other members of the British commonwealth of nations or to the governments of allies of the United Kingdom, if such governments allow a reciprocal credit for Canadian-paid excess profits tax.

Resolution agreed to.

14. That the act shall apply to the profits of the year 1940, and in the case of a fiscal period ending in 1940 prior to December 31, that the act shall apply to that proportion of the profits thereof which the number of days of the said fiscal period in the year 1940 bears to the total number of days of such fiscal period.

Mr. JACKMAN: I should like to ask one or two questions in regard to the whole subject matter of the excess profits tax, which perhaps might better have been asked at the beginning rather than at the end. In his budget speech I understood the former Minister of Finance to say that this excess profits tax would bring in approximately $100,000,000. That was the estimate for a full year. The ordinary corporation tax is virtually, or in effect, raised from 18 per cent to 30 per cent, so that now our normal corporation tax is 30 per cent and the excess profits tax, properly speaking, is any sum which may accrue to the government over and above this normal rate of 30 per cent. Has an estimate been made as to how much of that $100,000,000 it is estimated would accrue merely from the operation of the increased normal corporation tax, leaving aside any excess profits tax?

Mr. ILSLEY: I really do not know whether that estimate was made. Whether or not the previous minister considered that is something I shall have to find out from him. I have not given any consideration to it myself. I suppose that if one doubled the present return from the corporation tax, that might be a basis from which to start.

Mr. JACKMAN: The present 15 per cent brings in about $80,000,000?

Mr. ILSLEY: Yes.

Mr. JACKMAN: I am asking these questions because I feel that the increase in the normal corporation tax to 30 per cent will bring into the treasury probably $75,000,000 of the estimated $100,000,000 for the full year. That brings us, then, to the name of this tax, which I think is extremely unfortunate in the eyes of most people. Certainly I feel that is so with regard to my hon. friends to the left. They do not like the word "profits," and even more do they dislike the words "excess profits." I think it should be explained to the people of Canada that this is not really an excess profits tax, but a straight boost in the corporation income tax from 18 per cent to 30 per cent, which will bring in three-quarters of the total amount the minister expects to get by virtue of this taxation. In other words, of the $100,000,000 only $25,000,000 will come from the profits on war contracts or from industry which has been stimulated by the government's spending of money on the war. In his budget speech the then Minister of Finance said:

> In order to ensure that no profitable business will escape taxation, it is proposed that in no case of an incorporated company shall the excess profits act, when combined with the corporate income tax, be less than 30 per cent of the company's total profits, whether or not such profits exceed pre-war profits.

Not only did he need to say "no profitable business," but he might have said "no business making a profit," which is slightly different. That means that companies which do not make a cent more than they did before must pay a great deal higher rate of taxation; and that certainly is not in the nature of excess profits.

I suppose this terminology has been borrowed from the English act, although I am not certain of that. But it does seem to me that where three-quarters of the tax is nothing more or less than a straight boost in the corporation tax, even though not a cent more is earned, surely a more fortunate name might be chosen for it. Many of these companies will not earn as much money, and certainly a great many of them will not have as much to distribute after this 30 per cent tax is taken off.

I would suggest to the minister that perhaps it might be called an excess tax on profits, as it really is, something which is quite different from an excess profits tax. Despite the humour of it I think the minister will agree with me when I say that my suggested nomenclature more exactly describes the situation than does that suggested by the minister. It is in fact an excess tax on profits, and not an excess profits tax. Or, if I may make it more definite, it is really a special shareholders' tax, because with regard to this conception of a corporation as being some entity in itself, while it is true that it has a legal entity it is, for the most part, nothing more or less than a group of humble shareholders.

In the public press we are used to seeing the statement that some few individuals may own a large proportion of this or that concern. It must be realized, however, that the general run of shareholders probably do not own more than a thousand dollars in any particular company. Those are the people who are being taxed by this excess tax on profits, as I shall call it.

Then, getting back to the root of the tax on corporations, I should like to read a short paragraph from this morning's issue of the Montreal *Gazette*, abridged from the monthly letter of the bank of Nova Scotia. It is as follows:

> By all previous standards the new taxes and the increases in the old ones appear to be heavy. But because the national income is rising they are not an unduly heavy load for the Canadian people as a whole. Indeed, judging by the minister's estimates, the increase in tax revenues this year, estimated at $225,000,000, is equivalent to no more than one-third of the probable increase in the national income.

That is to say, when the previous Minister of Finance brought down his budget he said that last year's national income was approximately $3,800,000,000 or perhaps more nearly $3,900,000,000, and that this year the tax estimates were based on a national income of $4,500,000,000. There is a spread of $600,000,000, and the total increase in tax is only $225,000,000 on the estimated full year's programme. That is only one-third of the addition to the national income which the minister expects in 1940.

But this government is now bringing forward a measure to place a tax of 75 per cent on corporations which produce only one small part of the total national income. Yet we are to have an increase in the total national income of $600,000,000 where the increase in taxation is only $225,000,000. On the other hand, because a corporation happens to be easy to get at the government is going to take 75 per cent. We have heard a great deal about corporations not being permitted to make money out of the war; yet it is a fact that the people of Canada will be able to increase their income some $600,000,000 during the next year, and only one-third of that will be taken in additional taxation. So I point out that really what might be called an excess tax on war industry, stimulated by government spending of money on the war effort is only one-third, or 33 per cent, whereas the tax the government wishes to place on industry or on a corporation is no less than 75 per cent.

Mr. MARTIN: The hon. member is overlooking the factor of the ability to bear, and in that respect I think his argument is unfair. In respect of those who are covered by the general volume, is he not overlooking the question of ability to bear the tax?

Mr. JACKMAN: It is ability to bear the tax that is worrying me, and I am not overlooking it. I think it is extremely onerous on a certain class of citizens, and I have already pointed out that the shareholding class in the community is a broad class indeed. When we tax the corporation we are taxing the small man, and this is done because of the idea held by some people, and the public generally, that corporations are associated with wealthy individuals. However, I think the hon. member will bear me out when I say that the typical shareholder holds only a small amount. I say, therefore, that the tax is unduly heavy, and that the whole excess profits tax as now designed does not bear out the dictum of the minister who introduced the budget, when he stated in effect that his budget should have in it, as its first principle, equality of sacrifice.

Resolution agreed to.

SPECIAL WAR REVENUE ACT

Resolved, that it is expedient to introduce a measure to amend The Special War Revenue Act, and the amendments thereto and to provide,

1. That section seventy-six of the said act be repealed and the following substituted therefor:—

"76. (1) Except as hereinafter provided, every manufacturer and every importer of matches shall affix to every package of matches manufactured by him or imported into Canada, an adhesive or other stamp of the value of one cent for each one hundred matches or fraction of one hundred matches contained in such package.

(2) When matches are put up in packages containing not more than fifty matches and not less than thirty-one matches each, the tax shall be payable at the rate of one-half of one cent for each package, and when matches are put up in packages containing not more than thirty and not less than twenty-six matches each, the tax shall be payable at the rate of three-tenths of one cent for each package, and when matches are put up in packages containing not more than twenty-five and not less than twenty-one matches each, the tax shall be payable at the rate of one-fourth of one cent for each package and when matches are put up in packages containing less than twenty-one matches each, the tax shall be payable at the rate of one-fifth of one cent per package.

(3) No manufacturer or importer shall sell or import matches unless they are in packages."

Mr. MacNICOL: Are special stamps to be printed, and if so, where are they to be purchased?

Mr. ILSLEY: Usually a stamp is not used; there is printing on the box.

Mr. MacNICOL: There will have to be a rubber stamp then, will there not?

Mr. ILSLEY: It is printed.

Mr. MacNICOL: Printed on the box when purchased?

Mr. ILSLEY: Yes.

Mr. STIRLING: What sum does the minister expect to collect from this tax?

Mr. ILSLEY: It is expected that it will provide an additional $500,000 of revenue in a full year.

Resolution agreed to.

2. That subsection one of section seventy-seven A of the said act be amended by providing that the excise tax on packets of cigarette papers be increased from two cents to five cents for each one hundred leaves or fraction thereof contained in such packet.

Mr. STIRLING: What will be the increased revenue here?

Mr. ILSLEY: Along with the tax on tubes, it is expected that the revenue will be increased by about $4,500,000.

Resolution agreed to.

3. That subsection two of section seventy-seven A of the said act be amended by providing that the excise tax on packages of cigarette paper tubes be increased from two cents to five cents for each one hundred cigarette paper tubes or fraction thereof contained in each such package.

Resolution agreed to.

4. That subsection four of section eighty-six of the said act be amended by increasing the tax from eight per cent to twelve per cent upon the current market value of all furs dressed and/or dyed in Canada.

Resolution agreed to.

5. That the said act be amended by adding thereto after section eighty-eight the following section:

"88A. (1) In addition to any duty or tax that may be payable under this act, or any other statute, there shall be imposed, levied and collected a war exchange tax of ten per cent on the value for duty of all goods imported into Canada, payable by the importer or transferee who takes the goods out of bond for consumption at the time when the goods are imported or taken out of warehouse for consumption.

(2) The tax imposed by this section shall not apply to any goods imported into Canada,—

(a) which are entitled to entry under the British preferential tariff, or under trade agreements between Canada and other British countries;

(b) Which are entitled to entry under Customs Tariff items 360, 460, 690, 690a, 696a, 700, 700a, 701, 702, 703a, 704, 705, 705a, 706, 707, 708, 709; or to fish caught by fishermen in vessels registered in Canada or owned by any person domiciled in Canada and the products thereof carried from the fisheries in such vessels.

(3) Where the war-time prices and trade board reports to the governor in council that any producer or producers of goods have taken advantage of the tax imposed by this section to increase the price of such goods by an amount greater than is justified by any increases properly arising from such tax in the cost of materials or parts entering into the production of such goods or to maintain prices of such goods at levels greater than are so justified, the governor in council may, upon the recommendation of the said board, impose upon all or any of the products of any such producer an excise tax at a rate not to exceed ten per cent of the selling price of such products for such period of time as he may determine, remove or induce customs duties applicable thereto for such period of time as he may determine, fix the prices thereof and/or take such other measures and impose such penalties as he may determine."

Mr. STIRLING: I think this is the resolution the leader of the opposition was rather anxious about.

Mr. ILSLEY: We will let it stand.

Resolution stands.

[Mr. Stirling.]

6. That the provisions of section eighty of the said act levying taxes on articles manufactured or produced in Canada enumerated in schedules I and II to the said act be amended to provide that the taxes mentioned therein shall apply at the time of delivery.

Mr. WOOD: I am informed that importations of live stock made for the purpose of improving the breed will come under this resolution and be taxed 10 per cent. Up until now these animals have always been allowed in free, and as a consequence the Canadian farmer has developed a much better class of live stock. He has had free access to the United States supply. Now, when he purchases a sire in the United States, he must pay 11 per cent exchange and this special war revenue tax of 10 per cent which must be paid on delivery. There are many transactions which were entered into prior to the date of the budget. I think the imposition of this tax should be considered carefully because, after all, the income of our farmer is largely dependent upon the quality of his live stock. The Canadian farmer is considered to have the best live stock on the American continent. We go over to the United States and take the major share of the prizes, despite the fact that we are the smaller country. The imposition of this tax will have a far-reaching effect upon the quality of our live stock.

In 1939 we exported nearly 100,000 dairy cows to the United States. These exports were possible because we had better cows than they had in the United States. Because of the free exchange and free entry of these animals our farmers have been able to build up a high quality live stock. The amount of money that will be obtained from this tax will, I am sure, be quite small, and I ask the minister to give the matter his special consideration.

This tax is to apply on delivery. There are many instances where deals have been negotiated for the purchase of sires at the time of birth, but delivery is not to be taken until a year afterwards. The tax will have to be paid on delivery although the transaction was completed almost a year ago. As against this, many large companies have imported tremendous quantities of coal from the United States. It was pretty generally known that a tax would be imposed, and the harbours of our great lakes are now piled up with coal which was imported before the imposition of the tax. Are these companies which have escaped this tax by importing coal to be allowed to pass the tax on to the consumer? On the one hand, the farmer is to be taxed for a transaction which he completed some time ago and, on the other, these coal companies have been able to escape the tax.

Mr. ILSLEY: If live stock is imported after June 24, it will be subject to the 10 per cent war exchange tax, unless it is exempted as the hon. gentleman suggests. I am afraid it would be dangerous to start making exemptions. I would point out that this question would more properly come under resolution No. 5 which has been allowed to stand at the request of the leader of the opposition. If there is to be a debate on that resolution it will take place when the leader of the opposition is present.

Resolution agreed to.

7. That schedule I to the said act be amended by repealing section 1 thereof and substituting therefor the following:

"1 (a) Automobile adapted or adaptable for passenger use, with seating capacity for not more than ten persons each, valued at $700 or less, 10 per cent.

Over $700 but not more than $900, 10 per cent on $700 plus 20 per cent on the amount in excess of $700.

Over $900 but not more than $1,200, 10 per cent on $700 plus 20 per cent on $200 plus 40 per cent on the amount in excess of $900.

Over $1,200, 10 per cent on $700 plus 20 per cent on $200 plus 40 per cent on $300 plus 80 per cent on the amount in excess of $1,200.

(b) Automobiles adapted or adaptable for passenger use with seating capacity for more than ten persons, 5 per cent.

Provided that the tax collected under paragraph (b) above shall in no case exceed $250 per automobile;

Provided further that the tax on automobiles shall apply on the total price charged for such automobiles, which price shall include all charges for accessories, optional equipment, servicing, financing, warranty or any other charge contracted for at time of sale, whether charged for separately or not, but not to include heaters or radios;

Provided further that the tax on automobiles shall apply to any such vehicles in transit to dealers or others;

Provided that if a new and unused automobile is on the twenty-fifth day of June, one thousand nine hundred and forty, in the hands of a dealer and not delivered to another purchaser the tax shall be paid by such dealer when such automobile is delivered.

Provided further that the tax shall not apply to automobiles imported:

(i) Under customs tariff items 702, 706, 707 and 708;

(ii) By a bona fide settler on a first arrival;

(iii) By a beneficiary resident in Canada, under the terms of a will of a person dying in a foreign country."

Mr. MacNICOL: Since I have not the customs tariff before me, would the minister indicate the significance of tariff items 702, 706, 707 and 708.

Mr. ILSLEY: These four items refer to automobiles of travellers, representatives of foreign governments or of his majesty's governments, automobiles of the governor general and automobiles included in military equipment, the property of the imperial government.

I am going to ask my colleague the Minister of National Revenue (Mr. Gibson) to move an amendment to the fourth proviso of resolution 7. The proviso as drafted requires dealers who had new and unused automobiles on hand on June 25 to pay the taxes imposed on automobiles under this resolution. Many representations have been made, and upon consideration we have decided that it would be too harsh to impose the full tax, particularly because dealers in the higher priced automobiles will have their business rather hard hit by this measure. Therefore it is proposed to reduce the amount of the tax payable by these automobile dealers to a flat 10 per cent. It may not give relief to dealers in the lowest priced cars, but it will give relief to dealers in cars from those prices up. The amendment reads:

That paragraph 7 of the resolution proposing amendments to the Special War Revenue Act, notice of which was given on June 24, 1940, be amended by striking out the fourth proviso reading as follows:

"Provided that if a new and unused automobile is on the twenty-fifty day of June, one thousand nine hundred and forty, in the hands of a dealer and not delivered to another purchaser the tax shall be paid by such dealer when such automobile is delivered."

and substituting therefor the following:

"Provided that in the case of every new and unused automobile in the possession of an automobile dealer on the twenty-fifth day of June, one thousand nine hundred and forty there shall be imposed, levied and collected an excise tax of ten per cent based, in the case of an imported automobile, on the duty paid value and, in the case of an automobile manufactured in Canada, on the sale price of the manufacturer to the dealer payable at the time of the delivery by such dealer of such new and unused automobile to a purchaser: And provided further that the minister shall have power to define for the purpose of this section what constitutes a new and unused automobile: And provided further that a refund or deduction may be granted to an automobile dealer liable to pay excise tax under this provision in respect of an automobile, of the amount of excise tax previously paid in respect of such automobile under the provisions of this part."

Mr. MacNICOL: Why should the amendment not apply also to the proviso immediately preceding, relating to automobiles in transit? The sale of these cars would be equally affected by the new taxation schedules, and should not the dealer who has ordered several high priced cars which happened to be in transit before the budget came down also be entitled to consideration?

Mr. ILSLEY: If he has not received them, there is no hardship. We do not go into the terms of the transaction between the dealer and the manufacturer.

Mr. MacNICOL: I see no difference in hardship to the dealer between an automobile which is in transit, say from Windsor to Montreal and happens to be only half a day away from the dealer's showroom, and that same car arriving in the showroom the next day. In each instance the sale would be affected by the increased tax on the higher priced cars. The higher priced car in transit would not likely be sold any more easily than the car in the showroom.

Mr. ILSLEY: The manufacturer is responsible for the tax if the car is not in the hands of the dealer, and there is no occasion for relief in the instance put by the hon. gentleman.

Mr. MacNICOL: If a Montreal dealer purchases one of the higher priced cars in Windsor, and the car is being driven to Montreal and is therefore in transit, whereas another Montreal dealer has the same model on the floor of his showroom in Montreal, and they are both trying to sell to the same prospective purchaser, I would think the dealer with the car on the floor of his showroom would have, if anything, a better chance of selling than the dealer whose car was in transit.

Mr. ILSLEY: I am under the impression that the previous answer I gave is correct, but I will look into the matter further. Perhaps we had better leave that point in abeyance, because I do not want to give the committee any wrong information.

Mr. ESLING: I sent to the office of the minister some time ago particulars in the case of a dealer in my district, and I take it for granted that the same thing applies to dealers in all the lower priced cars who had received from certain customers down payments on cars as early as May 11. For some reason the manufacturer was unable to deliver and the cars are now in transit. When the budget came down, the purchasers indicated their refusal to accept the cars were they compelled to pay the increased price. I wonder if the minister would indicate the status of such a transaction.

Mr. ILSLEY: If the automobile were not delivered before the budget, they are subject to the tax imposed on June 24.

Mr. MacNICOL: That refers only to the fourth proviso?

The CHAIRMAN: Yes.

[Mr. MacNicol.]

Mr. CRUICKSHANK: I want to ask the minister much the same question. What happens in the case of a car which is ordered but which the company cannot deliver prior to the budget?

Mr. ILSLEY: It is subject to the tax.

Mr. CRUICKSHANK: I ask that from the point of view of information, because I have been asked that question by constituents.

Mr. ILSLEY: It is undoubtedly subject to the tax.

Mr. ESLING: Does the minister not think there is just a little difference in a situation wherein a purchaser has made payment or a portion of the payment? It seems like an unreasonable burden on the dealer, for the reason that he would not have ordered the car had the customer not made a payment. The delay is occasioned at the plant; the car comes; by reason of the increased price the purchaser refuses to accept, and that loss rests upon the local dealer. Does the minister not think there is room there for some consideration as compared with the case of the dealer who merely orders cars to place in stock?

Mr. ILSLEY: Whenever a duty is imposed there are likely to be some persons who suffer as a result of it. For instance, some importers ordered goods before the war exchange tax was imposed and those goods will come in after the tax is in operation. Perhaps the importers had sold before the tax was imposed, upon the assumption, although unwarranted, that there would be no tax. Nevertheless they must pay the tax. That is the general rule when duties and taxes are imposed. To make exceptions or to start a new practice would be contrary to the usage which has been established in this country for a great many years. Everyone knows that he must look out for the budget. A good many people plan their business with the budget in view. I do not know whether that is the case in the instance which the hon. member presented, but it might well have been. It might have been that the person buying the car had in mind that he had better get it as soon as possible, but the delivery was delayed until after the budget, and unfortunately the tax attaches.

Mr. ESLING: The minister's statement is perfectly clear, but the point in this case is that the payment had been made on the car. In the case to which the minister referred, in ordering goods it is not general that there should be prepayment. In the case I have mentioned prepayments were made as far back as May 11, some time before the budget

was brought down, but the manufacturer was unable to deliver the car. In many instances delayed delivery may be due to preference being given to orders closer at hand.

Mr. MacNICOL: And to war orders.

Mr. ESLING: Yes, orders for war purposes. These cars go to British Columbia, which is quite a distance. There is not a word to be said in the matter beyond the fact that in this case, contrary to some others, payments had been made on the purchase price and had delivery been made in the regular course, had it not been impeded, perhaps by war orders, the cars would have reached the dealer and been delivered to the purchaser before the budget was brought down.

Mr. KINLEY: The minister was referring to cars in the possession of a dealer, on his premises. I take it that cars which are in transit are the property of the dealer, because all cars in Canada are shipped f.o.b. plant, and when once the manufacturers have shipped a car and sent the bill of lading forward to the bank, they claim they have made delivery. I believe that what the manufacturer will do is to telegraph his bank not to deliver the bill of lading until the extra tax is paid, so that the dealer will pay the tax on a car which is in transit. That is what happened the last time there was a tax on automobiles. We must not forget that in Canada this transit business is quite important, because cars rolling to the maritime provinces will take from eight to ten days, and to British Columbia, quite a while, whereas in central Canada delivery will be made in one or two days. Therefore the dealer in the maritime provinces is always a couple of weeks behind in his deliveries, and he is taken at a disadvantage, especially by this provision. The point is, it seems to me, that it is hard to make a distinction between cars which are in transit and cars which are actually in possession of the dealer, because he has given a firm order for them to the manufacturer on account of sales to persons in his district. It is not usual for dealers to order many cars unless they are already sold. It is likely that a dealer will get a signed order at a certain price before he orders the car from the manufacturer.

Mr. GRAHAM: I assume the minister would agree with me that in ordinary times this particular section of the Special War Revenue Act would offend the political principles of a goodly number of hon. members on this side. I recall that the former Minister of Finance, dealing with section 5 of this act, gave expression to the statement that it was only the war situation and the need to conserve foreign exchange which induced the government to include in its legislative programme the imposition of the 10 per cent exchange tax. I do not think those remarks apply to the particular resolution with which we are dealing, and I would request the minister, if he can see his way clear to do so, to make some statement in regard to this particular matter. I do not see, as a matter of sound economics, if we are merely taxing a luxury, why we should particularly pick on motor cars, because the automobile industry in this country happens to be in a position of great safety, owing to its set-up. The Canadian Ford company do not fear any competition from the American Ford company. The same is true of General Motors; the same is true of the Chrysler Corporation. It will be recalled that these three companies in both the United States and Canada control eighty-five or ninety or even a higher percentage of the market of the cheap cars which these companies make. The Plymouth, the Ford, and the Chevrolet are the leaders in the small-price group of cars in which we are most interested.

In addition, the motor car industry, through the imposition of an embargo on used cars, is in a particularly favoured position. As I say, under ordinary conditions, if this were not war time, a great many members on this side of the house would strongly oppose this resolution. Of course, if the Minister of Finance is putting this into effect in order to conserve exchange for the purpose of the war, perhaps we should give way and permit his judgment and the advice of the departmental officials to outweigh our objections. But I believe a good many of us would like from the minister a statement that he realizes that this resolution is only for the purpose of conserving exchange, and that when the situation is better in that regard, this government does not intend as a permanent policy, or even as a long time policy, to give this added protection to the automotive industry in this country. I should be glad if the minister could see fit to make a statement to the committee on this point.

Mr. ILSLEY: I have been looking at the budget speech made by the former Minister of Finance, and I would gather that he put both measures in the same category. He makes it clear that they both have for their primary object the conservation of exchange, that these measures are war measures relating to present conditions. He said:

> The other exchange measure relates to automobiles, both imported and domestic. It is proposed that, in place of the present small excise tax on automobiles of five per cent on the value in excess of $650, there be substituted—

And so on. I do not think the hon. member will require anything more than that budget speech to show that the attitude of the government was to take this as an emergency measure or a measure related to the requirements of the present situation.

Mr. ADAMSON: This tax applies on the manufactured price of motor cars?

Mr. ILSLEY: The selling price by the manufacturer to the dealer.

Mr. ADAMSON: Has the minister any figures as to whether the Ford, Chevrolet and Plymouth would come in the first category, or which cars would come in the second?

Mr. ILSLEY: They have different models; I do not know just which category they would come in.

Mr. ADAMSON: But all motor cars will be affected?

Mr. ILSLEY: Yes.

Mr. ESLING: Without wanting to be persistent, I did not get the minister's reply as to no consideration being given in a case where a payment was made and delay was occasioned, say by war orders or by distance. If those same orders had been placed here in Ontario, there is no question that the cars would have been delivered, but because of our distance in British Columbia there has been delay. I would not make the suggestion were it not on the ground that payments had been made by the purchaser.

Mr. ILSLEY: By the purchaser to a dealer?

Mr. ESLING: By the purchaser to the dealer. I know of three separate cases. The purchasers made a deposit on those cars expecting them to be delivered within a reasonable time; the dealer not having them on hand—and he is a very large dealer, perhaps the largest garage in the interior of British Columbia—ordered them, expecting them to arrive within a reasonable time. But for some reason the manufacturer was unable to put them in transit; they were delayed, and then after the budget was presented, the purchaser notified the dealer that he would not accept the cars. The transaction took place not early in June, but on May 11, six weeks before the budget came down, so it is hardly likely he was contemplating this increase. The fact is that the payments were made before this parliament assembled at all, before there was any likelihood of a budget.

Mr. ILSLEY: I do not think payment by the purchaser to the dealer makes any difference. It does not put the transaction in any different category from that of every other case where the dealer has resold or, in the case of an importer, where the importer has resold. Where there has been a resale at a firm price, there is no doubt there is going to be a loss or no profit or not as much profit. I do not think we can possibly recognize those cases as making any difference, and I do not think the fact that the resale has been accompanied by payment on the part of the purchaser makes any difference; it is just a resale, and if we recognized this as making any difference we would have to recognize every resale.

Mr. ESLING: By "resale" does the minister mean sale by the dealer to the customer?

Mr. ILSLEY: The transaction between the manufacturer and the dealer is the first sale, and the transaction between the dealer and the customer is a resale. There will be many instances of such resales at a firm price, not taking account of the tax, which as I say will mean either a loss or no profit or a smaller profit than otherwise would be the case. We do not propose to remit the tax in any of those cases.

Mr. ESLING: Would the minister not consider the additional burden on car purchasers in the west on account of freight? That is one disadvantage to which residents in the far west are subjected as compared with those in Ontario. It really amounts to a discrimination. There ought to be some consideration in respect of that.

Mr. CRUICKSHANK: Is it the policy of the government that a man who has paid money on the purchase of a car, say in May, and who could not get delivery, must pay the extra tax? As another member from British Columbia I say that is very unfair.

Mr. ILSLEY: All I can say is that it is not peculiar to British Columbia. That is the case irrespective of what part of Canada the transaction takes place in, and as far as I know, it has been the case since confederation.

Mr. CRUICKSHANK: In Ontario or Quebec one can get delivery to-morrow. I agree with the hon. member for Kootenay West that British Columbia is being unfairly treated.

Mr. KINLEY: In the opinion of the minister would a dealer, if he had a signed contract to sell a car at a certain price, and if before delivery the law changed, be justified in adding that tax to the price of the car?

Mr. ILSLEY: It depends entirely upon his contract. If he protected himself, well and good; but if he did not, I do not see how he can do it now. It is a matter of the law of the province in which he is doing business, but I should be very much surprised if he could protect himself if he did not foresee it.

Mr. KINLEY: Then that would seem to me another reason why cars in transit should not be subject to the tax and should be treated in the same way as cars in possession of a dealer.

Progress reported.

On motion of Mr. Crerar the house adjourned at 11.05 p.m.

Friday, July 12, 1940

The house met at three o'clock.

THE ROYAL ASSENT

Mr. SPEAKER: I have the honour to inform the house that I have received the following communication:

Ottawa, 12th July, 1940.

Sir:—

I have the honour to inform you that the Right Hon. Sir Lyman P. Duff, Chief Justice of Canada, acting as deputy of His Excellency the Governor General, will proceed to the Senate chamber to-day for the purpose of giving the royal assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
F. L. C. Pereira,
Assistant Secretary to the
Governor General.

REPORTS OF COMMITTEES

RAILWAYS, CANALS AND TELEGRAPH LINES—CONCURRENCE IN FIRST REPORT

Mr. ERNEST BERTRAND (Laurier) presented the first report of the standing committee on railways, canals and telegraph lines, and moved that the report be concurred in.

Motion agreed to.

BANKING AND COMMERCE—CONCURRENCE IN SECOND REPORT

Mr. J. J. KINLEY (Queens-Lunenburg) presented the second report of the standing committee on banking and commerce, and moved that the report be concurred in.

Mr. HANSON (York-Sunbury): I did not catch exactly the nature of the report. Am I to understand that the proceedings which it is intended to print are only those concerning the application for the incorporation of the Alberta bank and nothing else? Is that the meaning of the report?

Mr. KINLEY: We are asking concurrence to-day in order to be ready to take up the Alberta bank bill on Tuesday. I think the motion for printing covers all the proceedings of the committee in that regard.

Mr. HANSON (York-Sunbury): I have a copy of the report now and I find that my impression was correct. The report states:

—that it be empowered to print five hundred copies in English and two hundred copies in French of the minutes of proceedings and evidence in relation to the subject matter of bill No. 26, an act to incorporate the Alberta provincial bank.

I believe that bears out what I said, but I wanted to be certain.

Motion agreed to.

DAIRYING INDUSTRY

GRANTS FOR INSULATING, ENLARGING, REFRIGERATING AND EQUIPMENT OF CHEESE FACTORIES

Hon. J. G. GARDINER (Minister of Agriculture) moved for leave to introduce Bill No. 89, to amend the Cheese and Cheese Factory Improvement Act.

Mr. HANSON (York-Sunbury): Will the minister explain this amendment?

Mr. GARDINER: The bill does not make any important change in the act introduced last year. Among other things the Cheese and Cheese Factory Act made provision for the placing in cheese factories of storage rooms equipped with cold storage. During the year we were advised by the Department of Justice that a proper interpretation of the measure would make it possible to do a part of the work in a given year, namely to put in insulation, as apart from machinery equipment. Towards the end of the season, however, some doubt was raised as to the legality of this procedure, and the present amendment is to cover the point so that such operations may be legal.

Motion agreed to and bill read the first time.

PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 76 for the relief of Peter Logush.—Mr. Factor.

Bill No. 77 for the relief of Goldie Wolfe Goldberg.—Mr. Factor.

Bill No. 78 for the relief of Ethel Witkov Myers.—Mr. Bercovitch.

Bill No. 79 for the relief of Tilly Fishman Constantine.—Mr. Factor.

Bill No. 80 for the relief of Rachel Ruth Levenstein Schwartz.—Mr. Bercovitch.

Bill No. 81 for the relief of Eleanor Mabel Campbell Townsend.—Mr. Abbott.

Bill No. 82 for the relief of Isabel Margaret Gill Bacon.—Mr. McIlraith.

Bill No. 83 for the relief of Michele Fiorilli.—Mr. Factor.

Bill No. 84 for the relief of Gertie Schwartz Simak.—Mr. Bercovitch.

Bill No. 85 for the relief of Geneva Clementine Hurley Picard.—Mr. Macdonald (Brantford City).

Bill No. 86 for the relief of Réné Gaudry.—Mr. Hazen.

Bill No. 87 for the relief of Fanny Costom Copelovitch.—Mr. Hazen.

Bill No. 88 for the relief of William Gerald Dickie.—Mr. Bercovitch.

SALARIES ACT

AMENDMENT TO PROVIDE FOR SALARY OF MINISTER OF NATIONAL WAR SERVICES

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved that the house go into committee to consider the following resolution:

That it is expedient to amend the Salaries Act to provide that the salary of the Minister of National War Services shall be ten thousand dollars.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Mr. HANSON (York-Sunbury): May I ask the Prime Minister if this amendment is occasioned through an oversight in drafting the measure setting up the department?

Mr. MACKENZIE KING: No. The resolution is one to provide salary for the Minister of National War Services. To this end it amends the Salaries Act. The provision for the Minister's salary will appear in that act.

Mr. HANSON (York-Sunbury): That is the regular way of doing it?

Mr. MACKENZIE KING: Yes.

Motion agreed to and the house went into committee, Mr. Vien in the chair.

Mr. POULIOT: Mr. Chairman, out of courtesy to the Ottawa *Journal* for having published the day before yesterday the text of the speech of the member for Témiscouata made in this chamber, may I ask a question bearing upon an article which appeared yesterday on the editorial page of that newspaper in respect to Allied Supplies Limited? The editorial comment is as follows:

But how does this organization function? Has it power to enter into contracts and capital expenditures—

The CHAIRMAN: Order. I fail to see any connection between the resolution now before the committee and the point raised by the hon. member. I would request him to defer his remarks until a more appropriate time.

Mr. POULIOT: I thank you, but I have just a word to say.

The CHAIRMAN: Even that, unless it is with the unanimous consent of the committee, would be subject to the rule.

Mr. POULIOT: No one should be condemned without being heard.

The CHAIRMAN: Order.

Mr. POULIOT: If you do not see it, Mr Chairman, you are the only one who does not.

The CHAIRMAN: Order.

Mr. POULIOT: I shall ask the house to change you.

The CHAIRMAN: I have already drawn the attention of the hon. member for Témiscouata to what is parliamentary good manners.

Mr. POULIOT: I am not in the least interested.

The CHAIRMAN: I am sorry, but I shall have to name the hon. member unless he conducts himself in accordance with the rules. I rule that he is out of order, and unless he appeals from my decision I must proceed to ask the committee, shall the resolution carry?

Mr. POULIOT: Then I appeal to Mr. Speaker from your ruling.

The CHAIRMAN: Even the hon. member's appeal is out of order, because that appeal is not made to the chair, it is made to the house.

Mr. HANSON (York-Sunbury): I think the Prime Minister should say something.

The CHAIRMAN: Is it the pleasure of the committee to adopt the resolution?

Mr. STIRLING: I should like to say just a word with regard to the point raised by my hon. leader. In the bill which we dealt with the other day, the one to amend the national defence act, the amount of salary was referred to, but I fail to find such a clause in this bill.

Mr. MACKENZIE KING: The explanation is that the law officers of the crown preferred the method we are now adopting to the previous one. The preference, I understand, was expressed after the previous bill had been before the house.

Mr. HANSON (York-Sunbury): It does not seem to be a very important question; the minister must have a salary and he should get it in due course.

If I am not out of order, I should like to take this opportunity of saying a few words with reference to the incident which has just occurred. Let me say to the Prime Minister that the dignity of the house is in his keeping, and I am sure that any action which he may take to uphold that dignity will be supported by every hon. member who believes in the principle to which I am referring. If I may be permitted to say so, it is the duty of the Prime Minister when an occasion like this arises to say something in an effort to maintain the dignity of the house. In doing so, I am sure he will have the support of every hon. member on this side.

Mr. MACKENZIE KING: May I say to my hon. friend that I appreciate the position which he feels I should take in these matters. I have to decide rather quickly in my own mind as to the best course to take, and quite often I feel that the less said, the less trouble we will have in the end. I did not think there was likely to be much difficulty with my hon. friend in view of the remarks of the Chairman, but I appeal to him not to interrupt unnecessarily the proceedings either of the house or of the committee with observations which may not be immediately relevant to the matter under discussion.

Mr. POULIOT: I thank the Prime Minister for his good words. I should like to inquire if the Allied Supplies Limited will be under the minister mentioned in this resolution.

Mr. MACKENZIE KING: It will be under the Minister of Munitions and Supply.

Resolution reported, read the second time and concurred in. Mr. Mackenzie King thereupon moved for leave to introduce Bill No. 90, to amend the Salaries Act.

Motion agreed to, and bill read the first time.

Mr. MACKENZIE KING moved the second reading of the bill.

Mr. HANSON (York-Sunbury): Should not this be considered at the next sitting?

Mr. MACKENZIE KING: There is really nothing in the bill except the one clause which makes provision for the salary of the Minister of National War Services at $10,000.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Vien in the chair.

On section 1—Salary of Minister of National War Services.

Mr. POULIOT: I have just a few words to say, and I shall direct them to my revered leader. I think he will admit that I am not the worst offender in wasting the time of the house during this session. I always try to be short and snappy, and that is why I shall say no more on this bill.

The CHAIRMAN: That will be quite in order.

Mr. DOUGLAS (Weyburn): Are copies of the bill available?

Mr. MACKENZIE KING: The bill is printed and ready to be distributed. Its one clause reads:

Section four of the Salaries Act, chapter one hundred and eighty-two of the revised statutes of Canada, 1927, as amended by section one of chapter forty of the statutes of 1930 and by section one of chapter seven of the statutes of 1939 (2nd session), is further amended by adding at the end of the said section the following:

"The Minister of National War Services . . . $10,000."

Section agreed to.

Bill reported, read the third time and passed.

ROYAL CANADIAN MOUNTED POLICE

COMPENSATION FOR INJURY BY ACCIDENT—STATUS OF PENSIONERS REENGAGED IN EMERGENCY

Right Hon. W. L. MACKENZIE KING (Prime Minister, for the Minister of Justice) moved that the house go into committee at the next sitting to consider the following resolution:

That it is expedient to introduce a measure to amend the Royal Canadian Mounted Police Act to provide statutory authority for rates of compensation to members of the force injured by accident, and for the payment of expenses under the act out of any unappropriated moneys in the consolidated revenue fund, and to cover the status of pensioners who may be re-engaged by reason of the existence of a national emergency.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Mr. HANSON (York-Sunbury): I think there should be some explanation of this resolution.

Mr. MACKENZIE KING: The resolution explains itself.

Motion agreed to.

HOUSE OF COMMONS

COMPLAINT AS TO DRAUGHT IN THE CHAMBER

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): There is a matter which may appear to be trivial—it is actually of some importance—which I should like to draw to the attention of Your Honour, so that my complaint may reach the proper authorities. I refer to the draught which descends upon us from some quarter up above. My hon. friend from Kootenay West (Mr. Esling) was in danger of catching a very serious cold here last night and he had to leave the chamber. I am tough and I can stand it, but his health is somewhat delicate. I trust that something may be done to remedy the condition I have complained of. My friend suggests that it might save a by-election. I hope it is not quite as serious as that, but certainly some remedy should be found.

Mr. A. W. NEILL (Comox-Alberni): Mr. Speaker, I have suffered from these conditions for years, and I concur in what the leader of the opposition (Mr. Hanson) has said. Either some change will have to be made or we shall have to be provided with wigs.

Hon. P. J. A. CARDIN (Minister of Public Works): Mr. Speaker, this matter was brought to my attention last night by one or two of the members on the other side of the house, and I have asked the officers of the department who are charged with the responsibility to study the system of air conditioning in this building with a view to improving conditions. I might say to hon. gentlemen opposite that it is not only they who suffer, because at certain times we have been affected in the same way. I am told that it is probably due to sudden changes in temperature which our system of air conditioning is not adapted to meet. At all events I can assure hon. gentlemen that the matter is being studied by the technical officers of the department.

MUNITIONS AND SUPPLY

POWERS AND FUNCTIONS OF ALLIED SUPPLIES LIMITED IN RESPECT TO CONTRACTS

On the orders of the day:

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): May I ask the Minister of Munitions and Supply (Mr. Howe) if he is in a position to give us some details as to how Allied Supplies Limited functions? Has it power to enter into contracts and capital expenditures without appropriations by parliament? Is it subject to the treasury board? Or does the government merely hand over to it sums of money to be expended at its own discretion? Will it be possible for the members to have a statement covering these questions before the end of the session?

Hon. C. D. HOWE (Minister of Munitions and Supply): Allied Supplies Limited and similar companies functioning for the government do not enter into contracts on behalf of the government. Such contracts are made directly between the government and the supplier. The duty of this particular company and of similar companies is to administer and coordinate the contracts that have been made between the government and suppliers.

SOCKEYE SALMON FISHERY

QUESTION AS TO REPORT OF ECONOMIC ADVISORY COMMITTEE

On the orders of the day:

Mr. A. W. NEILL (Comox-Alberni): I wish to ask the Minister of Fisheries (Mr. Michaud) if he is in a position to give the decision of the government in reference to the report of the economic advisory committee on the sockeye salmon situation in British Columbia. He is not in his place, but perhaps the Prime Minister (Mr. Mackenzie King) has the information.

Right Hon. W. L. MACKENZIE KING (Prime Minister): The minister, as my hon. friend has observed, is not in the house at the moment, but I understand that he intends to make a statement on the matter later in the day.

THE PRESS

PUBLISHING OF MATERIAL BANNED BY ORDER OF CENSORSHIP

On the orders of the day:

Mr. A. R. ADAMSON (York West): Mr. Speaker, I should like to direct a question to the Secretary of State (Mr. Casgrain). Has the government had any discussion with any

newspapers with regard to their publishing material banned by the press censors for Canada? Has any newspaper disobeyed the orders of the censors? Has the government any intention of prosecuting newspapers who so disobey the censors? Does this come under section 16(d) of the defence of Canada regulations?

Right Hon. W. L. MACKENZIE KING (Prime Minister): Perhaps my hon. friend would allow his question to stand as a notice, and he will be given an answer on Monday.

Mr. ADAMSON: Certainly.

WHEAT

INITIAL PAYMENTS ON 1939-40 CROP

On the orders of the day:

Mr. P. E. WRIGHT (Melfort): Mr. Speaker, may I ask the Minister of Trade and Commerce (Mr. MacKinnon) what is the rate of interest paid on the money borrowed to make the initial payments on the 1939-40 wheat crop, and who is doing the borrowing, the wheat board or the line elevator companies?

Hon. J. A. MacKINNON (Minister of Trade and Commerce): Mr. Speaker, as I was coming into the house I was handed a notice of the question my hon. friend proposed asking. The question is very indefinite. The information sought is really a matter between the elevator companies and the producers, something with which the government has nothing to do—that is, if it refers to the ordinary advances on grain delivered to the elevators. If the hon. member desires further information I suggest that he put his question on the order paper.

INQUIRY AS TO POSSIBLE AMENDMENTS TO WHEAT BOARD ACT

On the orders of the day:

Mr. E. E. PERLEY (Qu'Appelle): I should like to ask the minister (Mr. MacKinnon) a question that will not be indefinite and one that I think he will be able to answer. Will he indicate whether or not he intends to introduce any amendments to the wheat board act this session? If so, will he indicate the nature of the amendments and when we may expect them to be brought down?

Hon. J. A. MacKINNON (Minister of Trade and Commerce): Mr. Speaker, apart from the question being one which asks for information on a matter of government policy, I have no hesitation in saying that legislation has been and is being considered. The hon. member may know that the members of the wheat board are now in Ottawa in consultation with me and other members of the government on this very matter, and just as soon as a decision is arrived at the house will be informed.

INQUIRY AS TO POSSIBLE AMENDMENTS TO PRAIRIE FARM ASSISTANCE ACT

On the orders of the day:

Mr. E. E. PERLEY (Qu'Appelle): I wish to ask a question of the Minister of Agriculture (Mr. Gardiner). Within the last ten days I have received many letters indicating the probability of a crop failure again this year over quite an extensive area, and they all want information with respect to the bonusing scheme. No doubt the minister has received similar letters, and I think he will agree that there is a critical situation out there. The Prairie Farm Assistance Act is unsatisfactory in its present form. Will the Minister state whether he proposes any amendments to the act this session, and if so when will they be brought down?

Hon. J. G. GARDINER (Minister of Agriculture): It is proposed to bring down an amendment to the act, but I am not in a position to indicate the nature of the amendment until the bill is brought down.

RULES OF THE HOUSE

PROCEDURE WTH RESPECT TO QUESTIONS ASKED ON THE ORDERS OF THE DAY

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, my hon. friend the leader of the opposition (Mr. Hanson) has drawn to my attention the fact that a part of my duty is to help preserve the dignity of the house. It is also a part of my duty to seek to see that the rules are adhered to. I would ask His Honour the Speaker if he would not inform the house, possibly on Monday next, of what may or may not be brought up under the rule with respect to questions on the orders of the day. I believe there has been a misunderstanding on the part of some hon. members with respect to the latitude that is supposed to be allowed in asking questions on the orders of the day. It is not, as I understand the rules, the right of hon. members to interrogate the ministry upon all kinds of matters without advance notice and without following, wherever possible, the other rules that are laid down for the seeking and obtaining of information. The rules of the house do provide several means whereby

information may be obtained, and of course the rule most generally availed of is the one with respect to handing questions in to the clerk, or having placed on the order paper notices of motions for the production of papers. By our rules the asking of questions of the ministry on the orders of the day is limited to a certain class of questions, those which cannot be answered effectively in the other way. If that were understood we should perhaps not lose the amount of time we do.

Mr. HANSON (York-Sunbury): Will the Prime Minister read the rule?

Mr. MACKENZIE KING: Standing order 44: Questions, how put and answered. I quote:

(1) Questions may be placed on the order paper seeking information from the ministers of the crown relating to public affairs; and from other members relating to any bill, motion, or other public matter connected with the business of the house, in which such members may be concerned; but in putting any such question or in replying to the same no argument or opinion is to be offered, nor any facts stated, except so far as may be necessary to explain the same. And in answering any such question the matter to which the same refers shall not be debated.

The latter part of the rule refers to the manner of putting questions. That portion of the rule might also be observed a little more closely than it has been.

The particular class of questions permitted on the orders of the day is dealt with in Bourinot's Parliamentary Procedure, page 354, referring to the calling of orders:

It is a practice, sanctioned by usage but not by any positive rule, for members in both houses of the Canadian parliament to make personal explanations or ask questions of the government when the orders of the day are called. They make them in reference to an inaccurate report of their speeches in the official record, or in the newspapers; or in denial of certain charges made against them in the public prints; or in reference to certain remarks which had been misunderstood on a previous occasion, and which they had not before had an opportunity of explaining; or in respect to delay in obtaining returns or to the incompleteness or inaccuracy of certain returns brought down under the order of the house. But these remarks are not allowable on the ground of privilege, unless the conduct of a member as such is attacked, and in that case a motion should be formally proposed. Questions have been asked, when the orders are called relative to the state of public business, or other matters of public interest. But no discussion should be allowed when a minister has replied to a question, nor after a member has made his personal explanation.

There are several other references as to the questions which may be asked, which references I unfortunately have not before me at the moment. I should like His Honour the Speaker to advise the house on the matter. We are likely to proceed more rapidly with the business if there is a complete understanding of it.

Mr. HANSON (York-Sunbury): It is of course wholly proper that we should observe the rules of the house, but I would point out that from the point of view of private members it is a privilege which they will not likely part with if the decision should be that they can ask innocuous questions only on matters of privilege and the like. My own view is that matters of importance, such as the health of the hon. member for Kootenay West (Mr. Esling) are quite proper things to call to the attention of the ministry at this time. I should not like to see this privilege curtailed by a rigid application of the rule. By such a decision private members would be robbed of a privilege which they value very highly, and I hope that when Your Honour comes to give consideration to this question you will interpret the rule in as liberal a spirit as possible.

Mr. NEILL: There is a distinct ruling, although I cannot put my hand on it at the moment, which particularly permits members to ask questions on the orders of the day as a matter of urgency. The Prime Minister did not mention that.

Mr. MACKENZIE KING: I agree with the leader of the opposition (Mr. Hanson) that there should be no effort to curtail what is reasonable and fair, but I am sure that to-day we have had several questions asked to which hon. members will observe no minister could be expected to reply offhand.

Mr. HANSON (York-Sunbury): I think that is true of one, at any rate.

Mr. MACKENZIE KING: Such questions might readily be handed to the clerk and appear on the order paper.

Mr. PERLEY: I think the Prime Minister's statement is more or less directed to myself—

Mr. MACKENZIE KING: No, I was going to make it before my hon. friend spoke.

Mr. PERLEY: If the questions which I asked to-day were put on the order paper they would be answered by "stand" or "order for return." We have been trying for two months to get the information for which I asked to-day.

Some hon. MEMBERS: Oh, no.

Mr. PERLEY: That is right, and it is always "under consideration." Now the house

is to prorogue in two weeks or so, and it is important that we get this information right away.

Mr. SPEAKER: I have already had under consideration the point that has been raised. I have been keenly aware of the fact that many of the questions asked could not be replied to from the floor of the house but must necessarily be referred to officers of departments for reply. Therefore I accept the suggestion of the Prime Minister, and on Monday I propose to give an opinion with regard to standing order 44, keeping in view the suggestion of the leader of the opposition that it should be interpreted as liberally as possible.

NATIONAL WAR SERVICES

ESTABLISHMENT OF DEPARTMENT TO CONDUCT NATIONAL REGISTRATION AND SURVEY, ETC.

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved the second reading of Bill No. 75, respecting a Department of National War Services.

He said: The purposes for which the government proposes to establish the Department of National War Services were given to the house in general terms by myself on June 18, and again on the 8th instant.

The department among other matters will have to do with the due execution of some of the purposes of the National Resources Mobilization Act. Certain of the purposes of the mobilization act involve functions which will be performed by departments of the government already in existence. Others do not so readily fit into any existing department. There is need, moreover, for seeing that all functions of the act are properly coordinated.

The most immediate and pressing of the duties to be discharged under the act is the conducting of a national registration. The minister of the new department will be charged with this responsibility. As I have already informed the house, the preliminary work of organization has been completed by a special departmental committee. No time therefore is being lost in proceeding with the registration itself. It will no doubt be necessary, from time to time, to make under the act further specialized surveys. Such surveys may, as required, be undertaken by the new department.

The war services department will also have the duty of directing to suitable fields of service those who have voluntarily placed their services at the disposal of the government. The coordination of the work of voluntary service organizations will be undertaken by the department with a view to directing their energies into the most useful channels, to preventing the overlapping of functions, and to assisting in the arranging and timing of public appeals.

The department will also undertake the initiation and promotion of voluntary effort in new directions, in immediate furtherance of our war effort and to enable Canada to make in the most effective and efficient manner the necessary economic and social adjustments to meet domestic problems arising out of the war.

In organizing voluntary services, the minister will be given power to form national, provincial or local councils, committees or boards, as well as to use existing agencies.

To avoid any break in the continuity of effort and direction, and to permit of the utmost use being made of the same, the records and facilities of the voluntary service registration bureau, which was set up at the beginning of the war to receive and classify all offers of voluntary service, will be made immediately available to the new department.

The war services department will also undertake the important task of coordinating the existing public information services of the government. The minister will be empowered as well to originate or employ such further means of informing the public as may from time to time be required in order to obtain, in the furtherance of the national war effort, the utmost aid from the people of Canada.

The importance of this task can hardly be overemphasized. Perhaps the greatest single moral advantage which democracies enjoy over the dictatorships in time of war, as in time of peace, is their reliance upon the spontaneous support of an informed public. Military necessity dictates certain limits upon information, and the substitution of a large measure of compulsion for freedom of action. It does not however demand a total blackout of accurate information, or total compulsion. Those are the very things we are struggling against. The struggle will be successful on the home front only in so far as accurate information is supplied as freely as military circumstances permit. In no better way can the spontaneous desire of the great majority of our people to give their services freely be effectively harnessed to the pressing needs of this time of war.

The three important types of activity which I have mentioned and which will immediately engage the attention of the minister and of the department are illustrative of its work. The functions of the department will, however, by no means, be limited to these

activities. Problems of internal security, of economic organization and development, of meeting social, industrial, financial and other needs, will continue constantly to arise. These may be dealt with by the Department of National War Services, by itself or in conjunction with other departments of the government as authority for such purposes may, from time to time, be given the minister by the governor in council.

In a word, it is intended and expected that the department, by its general supervision of war activities, and needs, its coordination of state and voluntary effort, and the inauguration and carrying out of special war services, as need for the same arises, will become a most effective instrument in a nation-wide furtherance of the war effort of our country.

Hon. GROTE STIRLING (Yale): I do not rise for the purpose of opposing this bill or for the purpose of making any extended remarks on the second reading. It is a war measure and consequently it should receive the support of the house. Whatever criticism there may be—and if there be criticism I trust it will be constructive—will come more properly in the committee stages when the minister who is designated to take charge of this new department will have an opportunity of explaining in detail what he has in mind.

As the Prime Minister (Mr. Mackenzie King) has pointed out, we were foretold of this department when he made his statement at the opening of the sitting of the house on June 18, and later on that occasion he introduced the resolution and subsequently the bill which we know as the National Resources Mobilization Act, 1940. That measure was one giving tremendously wide powers to the government. Of necessity, it had to be. It was essentially a war measure. It did not mention registration, but the Prime Minister foretold registration, and registration is undoubtedly covered by the words:

> . . . may do and authorize such acts and things, and make from time to time such orders and regulations, requiring persons to place themselves, their services and their property at the disposal of His Majesty in the right of Canada. . . .

And so on. In his further remarks on that occasion he said:

> It is the intention of the government also to establish without delay a new department of government to be known as the Department of National War Services, to be presided over by a minister of the crown.

Then he outlined shortly the purposes of the new department. It was not merely to coordinate the activities of existing voluntary war services; it would be entrusted with the duty of directing and mobilizing the activities of thousands of our citizens; the minister would be charged with establishing a dominion-wide organization of voluntary service, and so on. He paid a fitting and well merited tribute to the work which has already been done by women's organizations, patriotic organizations, and business organizations in this country; and then he went on to point out that the difficulty in the choice of those who should be added to his ministry consisted in finding a minister suited to the particular work which he would have to handle.

We know now who that minister is. I should not think that anybody in Canada doubts that minister's ability, but there is a widespread feeling in the minds of the public of Canada that in our day we have never seen a more strenuous partisan than the hon. gentleman designated. For myself, I do not propose to be affected one whit by the fact that in the past, I believe, he has been strongly partisan. The rating that I shall give to what he now has undertaken will be based on the results which he attains, and those remarks must apply also to the two officials already appointed by him as deputy ministers.

Mr. MACKENZIE KING: Designated by him.

Mr. STIRLING: Designated by him as two deputy ministers. We shall look on at that work helpfully, ready to give our every assistance, and we trust that he will be as good as his word to us in conversation that partisanship shall be far from him on this occasion. We wish him well in this most important piece of work, and may I add the hope that the sudden change of outlook may not impair his health. When we come to the measure itself I should like to make one or two remarks clause by clause, realizing as I do that in the committee stage we may be able to arrive at a clearer understanding.

In the clause which deals with those whom he will appoint, no reference is made to the civil service commission. We shall be glad, therefore, if he will explain in what way he will make choice of those who will serve under him. Just before I came into the house I received a letter from the British Columbia Teachers Federation stating very strongly the position of that federation that the voluntary assistance which they offer of their members shall be made use of in that regard. There is no doubt, therefore, that that letter was written before they were aware of the contents of the second letter which the minister wrote to us members. It is his intention as far as possible to make use of voluntary effort even to the extent of the offering of

premises free of cost, and no doubt the minister, when we come to clause 2, will give us his views in that regard.

Then we come to clause 5 which deals with the powers of the minister, and I group paragraphs (a) and (b) together. National registration has already started, and of course it must have been started under the National Resources Mobilization Act and not under this measure. It has already got into operation, and important though it is, far more important work attaches to paragraph (b) which places the result of such registration and of such survey at the disposal of his majesty in the right of Canada. In other words, when this work has been done and all this information has been collected, the real work will begin, namely, the use to which the government through the minister will put all this information gleaned from the registration. When we come to that paragraph I trust that the minister will be good enough to explain in considerable detail what policies will be adopted so that the best use may be made of the information so collected.

I know that the minister cannot limit himself in committal at this stage as to what will be done, but it will be of considerable interest to the public of Canada, I believe, if they are informed what lines the government proposes to follow in making use of the information so gleaned. Whatever use is made of this information, I trust the minister will emphasize as strongly as possible that the application of it will be absolutely the same in every part of the nine provinces of Canada, so as to give a feeling of security and satisfaction to those who will watch the results of this work.

I notice that the orders and regulations which may be deemed necessary from time to time will be tabled in parliament forthwith if parliament is sitting, or within two weeks after the opening of the session if parliament is not sitting. I appeal to the government to make use of better opportunities than this provision accords to acquaint the people of Canada with these regulations. Look at it from the point of view of members of this house. They will proceed to their homes. I know that as soon as I reach my far distant home I must face a myriad of questions, with a great deal of information sought with regard to this and that which has happened during this busy session. Facts and information for our use have tumbled over each other, and it is hard enough even here to put one's finger on just what one wants in the way of certain information. The government was good enough to accede to the suggestion that certain other orders and regulations should be published daily or weekly in the *Canada Gazette,* and I trust the minister will see to it that every opportunity is afforded hon. members, people in public positions and the public of Canada generally to inform themselves and to keep informed as to just what is going on under this measure. I trust also the government will take us into its confidence with regard to the penalties which may be imposed, the sort of infractions with which those penalties will deal, and in what manner they will be imposed.

As I said before, this is essentially a measure which can be dealt with more usefully in the committee stage, and I shall reserve any further remarks until that time.

Mr. JEAN-FRANÇOIS POULIOT (Témiscouata): Mr. Speaker, this is a very important bill, which will afford the minister in charge an opportunity to show his ability in the coordination of the various services essential to the carrying on of the war and essential also to preserve that comity which is necessary if we are to achieve our goal, which is victory.

In reading this bill we get very little idea of the many duties that the minister will have to perform, or of the various organizations that will come under his control. I wonder if it would not be possible for the government to supply hon. members with charts of the new department showing the various new bodies, boards, companies or whatever they may be called, in order that we may all become familiar with the structure of the war civil service. That was done by the civil service commission in regard to the set-up prior to the beginning of the war, and it would not seem a difficult matter to have up-to-date charts prepared. At my request one of the ministers had such a chart revised to date, and it has been most useful in permitting comparison so that we may know just where we stand.

I read with great care the elaborate statement made by the Prime Minister (Mr. Mackenzie King) on July 8 with reference to the appointment of several men of industrial and business fame, who have agreed to serve either in or with the government during the war. There is a great difference between the average business man and the average politician. The average business man works for his own profit, which is legitimate; the average politician—I shall not insult anyone, even my revered chief, by calling him a statesman, because I think the word "politician" is much better—has to look after the public good. Therefore we have two entirely different conceptions, as was admitted by no less a person than Mr. Bland, chairman of the civil service commission, when I was talking

to him about civil engineers in private practice and civil engineers in the government service. At times a man in the government service may have more foresight than one in private practice; he may recommend the execution of plans which will not bring results at once but which in the long run will be of great benefit to the community and to the state.

At this point I consider it my duty to warn the minister against the intrigues that he will find in each branch of his vast department among people who will try to secure personal importance by promoting schemes that may be dangerous. At the head of a huge department like this we need a man who has practical sense, and I pay the minister no mean compliment when I say that I believe he has a great deal of it.

There is one other matter. He will have to see that everything functions harmoniously, without friction; and to attain that end, there must be in every one under his control a salutary fear of the minister. The minister shall really be the head of the department, and the orders shall come from above, not from below. This means that the minister, who has courage as well as common sense, shall be the boss in his own department, and shall let no one interfere with his decisions. Of course he will have an opportunity to select very good men as his deputies. I know one of them. I know General LaFleche, for whom I have the highest regard. He was one of the best appointees of the last regime, a man who puts his duty before any political consideration. He is a man in whom I have the utmost confidence. My brother who served with him for three or four years overseas in the last war told me that one could not have a better colonel than was General LaFleche.

Mr. MacNICOL: That is one good thing Bennett did.

Mr. POULIOT: I am sorry; my hon. friend should take his hand away from his mouth before he speaks, and I would then understand him. I do not know if he is speaking or chewing gum.

Mr. MacNICOL: I will tell the hon. member plainly.

Mr. POULIOT: I do not want any interruptions when I speak. I regret very much not being able to face you, Mr. Speaker, when I speak, but you will understand that it is due to geographical considerations.

There is another point which the minister must realize is of the utmost importance. He will be in charge of the registration of all men in Canada. He will have to understand

conditions existing in all parts of the country. There is nothing which offends me more than to see something done which leaves the impression that the province of Quebec is a kind of preserve where views are different, where opinions are different and where one would find a queer class of people who do not feel like other people in Canada. That is why, sir, I object strongly to the radio programmes which have been given wide publicity, and on which people in high places in the province of Quebec have stated that we are all for victory. Of course we are all for victory; of course we are. But we must understand one thing, and that is that the French-Canadian of the province of Quebec is ready to defend his country, from Halifax to Vancouver, and he does not need conscription to force him to enlist, provided he is sure that his efforts will serve for the defence of Canada. It must be understood that patriotism need not be taught to the province of Quebec. It must be understood that every soldier who enlists shall serve with a minimum of risk and a maximum of protection for his country.

I have put in a nutshell my idea of the proper management of the department. Of course there will be close connection between it and the Department of National Defence. Hon. members will recall that in a previous session I objected strongly to the amputation from the Department of National Defence, when contracts were placed under another department. I understand that matters of supply have gained in importance since the beginning of the war, and it must be understood that at this time the Department of Munitions and Supply is just one of the branches of the very large Department of National Defence. The department now being set up is another branch.

I would ask the minister of this department to get into close cooperation with the various ministers of the army, air and naval branches of the Department of National Defence, and also with the minister in charge of the Department of Munitions and Supply, so that they may form a council which at times might be presided over by the Prime Minister. I understand that would be the place where the most important decisions would be made.

I would ask the minister to pay no attention to the brass hats; they are pests. When defence matters were before the House of Commons three or four years ago, I asked for a cleaning of the Department of National Defence. I hope the minister will not have to submit the legality of the business he does, or business done under his instructions, to the branch presided over by the judge advocate general of the Department of National

Defence. I will tell you, sir, why I say that; I say it because that man is not qualified to occupy such a high position. They are putting two crutches under him in order to get him to his job so that he may get his salary, when he is not competent to do the work. I hope the minister will be careful with regard to that matter.

Of course the civil service commission decide about appointments in that department as well as in other departments. They have no experts who know anything about matters of the kind. They are qualified only to judge stenographers, typists and clerks—and not so well, even in those instances. I will tell the minister to be very careful about relics from the civil service commission. As he knows, a spittoon which has been in a department for scores of years, may, on account of antiquity, become a venerable cuspidor. But it is still the same thing.

Further, I would tell the minister of the experiences I gained while listening to reluctant witnesses and while studying files very closely. I learned that the proportion of able men and women in the civil service of Ottawa in the class of those who have salaries of between $3,000 and $5,000 a year is one-half. The proportion of able men and women among those who have salaries of between $5,000 and $10,000 is one-third. Then, when it comes to above $10,000—and in this class I make exception for those who are elected by the people—the proportion of able employees is nil. Therefore I ask the minister to be very careful about experts and about reports made to him. This is said in all sincerity by one who has known and knows, and who sees what is going on now.

There is no time worse than war for intrigue by some people. They take advantage of the fact that there is an enormous increase in government business, and under those conditions they push their own business ahead.

There is one further point. The minister has written a letter in which he has said that before conscription is imposed opportunities will be offered for voluntary enlistment. On that point I agree with him entirely. I say that if the proper course is followed and if men are asked to enlist for the defence of Canada, the response will be admirable. I know that. It has been said by all, and it is true.

There is another point to be considered. The people hear that this country is being defended; they feel that it should be, but they can see nothing. If we cannot have regiments, at least there should be companies of soldiers located at various places throughout Canada in order that the people may realize that the country is well defended and therefore feel more secure. The minister knows that at the present time there is worry in every home in Canada, and this worry has been increased largely by the stupidity of our censorship. We read things like the Canadian Press dispatch I have before me of what was said in England. This dispatch was published on July 3, but I shall not read it now. There should be an effort made to make our censorship intelligent. Our people need proper information, not only to cheer them up but in order that they may keep well posted on what is going on and possibly feel more secure in these troubled times.

The question of remuneration for those who will assist in this mobilization of manpower has been referred to. It is always dangerous to ask people to offer their services gratuitously. It reminds me of the dear old Irishman who was not particularly well off and went to a barber to obtain a free shave. The barber had a razor which was not very sharp and the poor man in the chair was soon feeling quite uncomfortable. There was a cat in the building making a great deal of noise, and the barber finally said, "What is the trouble with that cat? It must be an Irish cat getting a free shave." Free services are not always beneficial to the state. The people are ready to make sacrifices, but they hear of large salaries being paid to certain people here in Ottawa, especially to the governor of the Bank of Canada. That gentleman is being paid $30,000 a year and yet he tells the people that they must economize. They feel that if he is being paid $30,000 a year to do things that they know very little about, they should receive at least $3 a day for taking part in this registration. Their crops have not been harvested and they do not always receive good prices for what they grow. What I have suggested would be another means of satisfying the people. We should make every effort to eliminate discontent among our people. We should try to make them as comfortable as possible under the circumstances. They should not be permitted to forget that there is a war on, but they should be able to see that the government is looking after their best interests.

I should like to tell my colleague one thing. He should not consider Quebec as being distinct from the other provinces of Canada, as being a province where the people think differently. I have spoken in Ontario, New Brunswick and other places the same language that I speak in Quebec, and I have not been ashamed. The trouble is that we do not know ourselves well enough. Considerable progress has been made in bringing about

a better understanding between the different parts of this country by the visits back and forth of our people. In this particular instance there is one thing that should not be done. There should not be any favouritism, and the people should not be persecuted as they were during the last war.

We are fighting a common cause and no one should be prevented from serving when he is willing to do so. Many obstacles have been placed in the way of enlistment, so many that I could not enumerate them in the time at my disposal. If the minister wants men to defend this country he should take the proper steps to see that their offers of service are accepted. They are ready to serve, but they should not be called. All obstacles in their way should be removed so that they may have an opportunity of serving their country to the best of their ability. A man makes a great sacrifice when he joins the army, but he makes that sacrifice for his own protection and for the protection of those whom he loves.

If the government adopts a proper policy in connection with the defence of this country, there would not be any difficulty in getting hundreds of men. At any time I can go into my constituency and get a thousand of the best men, such as lumberjacks, farmers' sons and others, who would be ready to enlist voluntarily for the defence of their country. I made that offer a long time ago in a newspaper which is published in my constituency. This country has a long sea coast on both oceans. It is a large country, but our people see only a few soldiers. Yet we send some of them to England because of sentimentality. England is only one-quarter the size of any province, yet her population is four times that of all Canada. If the English people cannot defend their own country—

Mr. CRUICKSHANK: Mr. Speaker, on a point of order, I think that remark is uncalled for.

Mr. POULIOT: We live in a free country. If anyone objects to my remarks he has only to ask that the galleries be cleared. I am not disloyal. My king is the king of Canada. I am proud to have taken the oath of allegiance to him, and I keep it. But I want the house to know the feeling of my people. I believe the Englishmen are good enough soldiers to defend their own country. We need men here; we need good men; we need men more than we need prisoners of war. In these matters Canada should be considered first. England should be considered also, but as an ally whose interest we shall be ready to look after once we have seen to the defence of our own country.

[Mr. Pouliot.]

Mr. GLADSTONE: We defend England to defend Canada.

Mr. POULIOT: We are free to express our opinions. The hon. member for Wellington South (Mr. Gladstone) will have an opportunity to express his afterwards. If there is one time when sentimentality should not govern, it is in time of war. Views may differ, but those expressed by the sensible men who are members of this House of Commons are of greater weight than those expressed by the experts of the Department of National Defence or of any other department. Having expressed my views, having spoken in the name of my constituents, I say to the minister that I have every confidence in him.

I hope in the very near future we shall be given details which will no doubt be prescribed by order in council as to the operation of this legislation, and we shall then be able to go into it fully and see what we can do. I have spoken as a Canadian, Mr. Speaker, and if my views are not shared by all my esteemed colleagues in the house I do not care. They have the right to express their own views. We are here to discuss matters of the utmost concern to all of us, and we must see that the Canadian people are well defended and that if there is an attack on this country by any power we shall be ready to repulse it. I am most thankful to you, sir, and to the members of the house for being so kind to me this afternoon.

Mr. J. R. MacNICOL (Davenport): Mr. Speaker, I shall be brief because at this stage of the bill I do not think any extended remarks are necessary. But there are one or two observations I should like to make with a view to ascertaining later from the minister on what he bases his hopes for the success of a scheme that is so largely voluntary. As a matter of fact, as I see it, the very reason for the bill itself is that the voluntary system has largely fallen down in producing the required enlistments, and therefore a scheme of national registration has to be introduced.

I want to approach the subject in a practical way. I presume that what the minister wants is practical suggestions to make the bill possibly more satisfactory than it otherwise might be. Before coming down to the house I took a look through one of the books of the lists of polls in my riding. There are three books containing lists of the polls, and I looked at thirty-one polls, from No. 37 to No. 67, inclusive. I found that the lowest number of electors listed for any one poll was 208, and the highest number 491. There were fourteen polls having between 200 and

300 electors, eleven polls having between 300 and 400 electors, and six polls having from 400 to 491 electors. The highest number of any one poll was 491 electors.

I have heard that the expectation is that an elector can be registered within fifteen minutes; that is, the whole list of questions ought to be answered in fifteen minutes. I have done a little figuring and I find that, taking the lowest poll with 208 electors, and allowing fifteen minutes to register each, it would take altogether 3,120 minutes to register these 208 electors if they were all standing in line one after the other ready to come forward and be registered. That is a matter of 52 hours, which is approximately 5 days of 10 hours each. That assumes that all the electors are standing one after the other ready to be registered, which is not likely. It would probably take double the time, or thirty minutes each, to register them with the inevitable delays. I think that would be the minimum. That would mean ten days of ten hours each to register 208 electors. Ordinarily on polling day they are not compelled to go to the polls. They come voluntarily or someone else brings them voluntarily, and I do not think they could be registered in much short of twice the time in which it is assumed an elector can be registered.

Take the poll with the highest number of electors, 491. At fifteen minutes each, it would take 7,365 minutes, or 123 hours, to register that number. That is approximately twelve days of ten hours each. If it took double the time to register them, which I think is probable, at thirty minutes each it would take twenty-four days to register 491 people.

I have been wondering whether the minister has thoroughly considered the present scheme. Before the recent general election enumerators were given from the forty-ninth day to the forty-fourth day before the election to make their enumeration, and the electors at that largest poll, with 491 listed, were enumerated within six days. I do not think any poll should take longer than six days. The enumerators in the last election went around from door to door and talked straight to the electors. Then several days after the enumeration, electors had the opportunity of a revision and of adding names if they had been left off the list.

I wonder if the minister would not consider a change in the method proposed. I am not looking at the bill itself; I have not read it very carefully, but I have been told what the method proposed is.

If the general election system of enumeration were used I would suggest that the deputy registrars might go from house to house and gather the information from those whom they are able to interview, and those who are not found at home could be required to come to the office and register within a week or ten days. Some people might be away on holidays when the deputy registrar called or for some reason or another not be at home. The deputy registrars could leave a notification that those not found at home must appear and register in the following week. That would cost a lot less money than the method that is now proposed. I understand that it is proposed to pay the deputy registrars only $3 a day, and they have to depend on voluntary help to get the registration done. I personally will do everything I can to help, although if the registration takes place in August after the strenuous session we have had, and we on this side of the house have had to work hard—

Mr. MARTIN: All of us.

Mr. MacNICOL: Every member works, but members of an opposition of 38 members certainly have to work hard to prepare themselves to take their part in the business of the house. Government members are not required to spend the same length of time in preparing themselves because there are more of them and there is always a sufficient number to take part in the business of the house. Speaking for myself I could not work harder than I have done this session. I work from early till late, and if the registration takes place in August, although I should like to go away for a holiday, I shall do my duty and stay at home to assist as best I can in whatever scheme the minister finally adopts. I am afraid, however, that voluntary efforts will not bring the results which our fondest hopes expect. I do not see how the registration can be made expeditiously by two registrars sitting in the booth in some residence or in a school, and I doubt very much if you would get the use of the school for nothing because a janitor would have to be on the job and janitors would ordinarily be away on their holidays. The teacher is generally away; they have had nine or ten months teaching activities, and anyone who has taught school knows what a strenuous time the school teacher has. They require their holidays. And that applies to officials who work not ten months, but eleven and a half months a year. I should like, therefore, to be assured by the minister that this voluntary help will be available.

Then as to the getting of the people to the booths, many people who have cars will be away on holidays. If the man of the house

is in Toronto, his wife and family will probably be in Muskoka, and frequently they have the car with them, so that the obtaining of a sufficient number of cars to be made voluntarily available is going to be difficult. It is my opinion that if the scheme followed prior to the last general election had been adopted, whereby the enumerator had to do the work under direction, there would be a much better chance of having a successful registration, and after all that is the important thing. Friction is to be avoided. With so many away and not receiving notification except through the press I cannot see how they are going to get to these booths.

As to the cost, if you are going to publish large advertisements in the press that is all right; I am always glad to see the press get all they can, but that will add to the cost of the scheme, whereas if these enumerators were paid a little more perhaps they would do a better job and do it more quickly. If it was done in six days prior to the general election there is no reason why, with proper organization, each poll could not be done in six days or less. I think the minister should tell us, before the bill goes to the committee, just how he expects the scheme to work, and give us some information as to the basis on which the bill has been framed, whether men used to running elections had a hand in framing it, and whether their advice was followed. After all, a scheme of this kind requires absolutely practical operation, and as far as I can see this is somewhat impractical.

One more thing. What will be the connection of the national registration with the mobilization scheme of the government? I can see how, if this scheme had been tried in June when everyone was home it might have had much better success than in August when such a large number of people are away. As far as Toronto at any rate is concerned, commencing about August 20 the Canadian National exhibition will be in operation and great numbers of people will be there. So that, while I am firmly convinced that the scheme should be started as soon as possible and finished as quickly as possible, for the sake of having it a success the question of deferring it until two or three weeks later than the middle of August might be worthy of consideration; it cannot of course be started earlier now.

I have tried to speak in a practical and I hope a constructive way. I have avoided anything of partisanship; that is unnecessary in a scheme of this kind. I only want to do what I can to make any registration scheme a success.

[Mr. MacNicol.]

Mr. A. G. SLAGHT (Parry Sound): I should like to make one or two observations with regard to this important measure. The hon. member who just spoke (Mr. MacNicol) declared his virtue in that he did not propose to make any reference to partisanship. For that he is to be commended. I observed that when the hon. member for Yale (Mr. Stirling), who opened to-day from the other side, addressed the house he stressed the fact that the appointment of the new minister designate to this position was a partisan appointment.

Mr. STIRLING: No, he did not.

Mr. SLAGHT: Perhaps I am not putting it quite accurately. He said it was the appointment of a man who was known for his partisanship.

Mr. HANSON (York-Sunbury): That is quite different.

Mr. SLAGHT: Whether my hon. friend thinks that statement, and the inferences which may be drawn from it, will help in the administration of this important measure, I am not able to say. He is of course aware that the choice of a cabinet minister for a particular portfolio lies with the Prime Minister (Mr. Mackenzie King) whose responsibility it is. While it is the privilege of an opposition to start a new minister on his difficult task with an observation of that kind, I suggest that in this case it was in no sense warranted. I suggest that the hon. member for Yale might have completed his references to the present Minister of Agriculture (Mr. Gardiner), by adding, with perfect truth, that the new minister designate has built up over a long period of public service a reputation as a capable, thorough, honourable and efficient administrator, first as premier of his own great western province, and then in the larger field of this federal government, and that his record is a splendid one of high-minded, fair and business-like administration of a difficult and important department of government. Furthermore, I suggest that he enjoys the respect of the entire people of Canada as a fearless public man who gets things done.

Apparently it was not the role of the hon. member for Davenport (Mr. MacNicol) to make charges of partisanship. But it did fall to the lot of the leader of the opposition (Mr. Hanson) who, in discussing this projected measure on July 9, after referring to Major General LaFleche and to Mr. Justice Davis, naming them as the two deputy ministers designate, used this language:

May I say most emphatically that the country is in no mood to tolerate partisan appointments. The first appointments made by the

minister and announced last night are not such as to give the public confidence, either in the efficiency or in the non-partisanship of the administration of the department.

Let me for a moment advert to that type of statement in this house against two men who are not here to defend themselves, and one of whom is hastening back from important national duties in France to asume this onerous post. What yardstick my hon. friend uses when he dubs men as partisans I do not know. I would remind him that in this house some sixteen months ago the then official leader of the Conservative opposition, Doctor Manion, had occasion to express himself with regard to General LaFleche. After listening to the indictment the other day from the same seat, I turned up what the then leader of the opposition had to say on February 13, 1939, as reported at page 851 of *Hansard* of that year. I quote:

> We were also told that we were trying to destroy the minister and the deputy minister.

He was speaking in the debate on the Bren gun. The deputy minister was General LaFleche. Mr. Manion continued:

> I say that they have both been friends of mine in days gone by, and I think they are yet. As a matter of fact, we appointed the deputy; I do not know whether that fact has been pointed out. He had a very fine record, and I have a very high admiration for him.

Then a little later, on the same page:

> The deputy minister has been a friend of mine for many years and I have the utmost respect for him.

I turned up the records to see by whom and when the deputy minister, General LaFleche, now reappointed to this important position, was appointed deputy minister of national defence and I find that it was on November 2, 1932. He was appointed by the Right Hon. R. B. Bennett, then Prime Minister of Canada, at a time when the present leader of the opposition was in this house and was, I think I can fairly say, an ardent and effective supporter of Mr. Bennett and, I should expect, in his confidence to the full. The voice of the leader of the opposition of to-day was not raised on November 2, 1932, to accuse General LaFleche of being a partisan appointee. I do not know whether the difference lies in the fact that the present government, to which the hon. gentleman is opposed, has appointed General LaFleche to the position he now holds, but it seems to me that a criticism of that kind sent out to the country now ought to be exploded as one that is entirely inconsistent with the course of the hon. gentleman, who, I suggest, certainly approved the appointment of General LaFleche by Mr. Bennett in 1932.

Even if we were without those high words of praise uttered in this house by the former leader of the Conservative party, a glance at the record of General LaFleche, for whom I hold no brief and whom I had not the privilege of knowing personally until a couple of years ago, would show us that he is a man with a distinguished war record. He is a distinguished son of the great French-Canadian race in Canada. He bears personal marks of terrific injury sustained on the field of battle in France in the last war where he served his country so admirably. He comes back from Paris to-day with the experience he has gained after serving us there. He was one of the last to leave that city before France, that gallant country, was defeated That is the gentleman at whom the leader of the opposition points the finger of scorn as a partisan. Is he a Liberal partisan or a Conservative partisan? The hon. gentleman said either too little or too much.

Then there comes under the lash of his whip the Hon. Thomas Davis at the outset of the difficult task he has undertaken, released as he has been temporarily from the honourable position of a judge of the supreme court of his province. I feel as though I should have a brief for the Hon. Thomas Davis because, absent and his lips sealed, he cannot refute attack, and he is a warm personal friend of mine. I may tell the hon. gentleman that the Hon. Thomas Davis, when at the bar in his province, occupied the important post of attorney general of that province and was honoured subsequently by appointment to the bench. He holds, from the people, the bar and the bench of western Canada, the greatest respect and admiration for a public man who has always fearlessly discharged his duty. I do not know whether the leader of the opposition has ever travelled west of the great lakes, but I assume he has. However, if he has any doubt about the statement I have just made with regard to that deputy minister, I suggest that he make inquiries among such of his own followers as come from west of the great lakes and he will find confirmation of what I have said with regard to the high character of the Hon. Thomas Davis and the reputation he enjoys in that part of Canada where he is best known.

May I make one more observation. Judges have no means of refuting attacks made upon them by public men in public ways, either through the press or in the House of Commons. Statements in derogation of their character go far and wide through the press, but their lips are sealed. The leader of the

opposition is a member of the profession to which I have the honour to belong, and I think he might well say something to the house to set straight an impression that may have been created by his remarks on July 9, to the page of which I have referred him. I would make this personal observation to the leader of the opposition. I have followed with a great deal of respect and pride the course he has pursued during this session in the difficult position in which he finds himself. I think in many ways his restraint has been excellent and his assistance constructive. I hope, however, that we are not going to start a new era of indicting from the other side of the house, through the use of destructive adjectives, unless there are some facts to back up such criticism, men in public positions, taking on difficult war tasks.

I do not want to go into the matter of the carrying out of the provisions with regard to the registration of man-power; I do not think this is the time to debate that. But the hon. member for Davenport who interjected—and I heard him—"that is one good thing Bennett did," referring to the appointment of Major-General LaFleche, seemed to have some fear respecting the registration being taken at this holiday season when many men and women would be away from their permanent homes.

Mr. MacNICOL: I believe I said I feared for the success of the scheme if the registration were taken in the middle of August; and I wanted it to succeed.

Mr. SLAGHT: That is as I understood the hon. gentleman; his fears were intended to be constructive. Let me reassure him a little if I can. As I understand it, although all these matters are in the melting pot for the moment and in the making, it is intended to make provision for the registration of those who are away from their permanent homes, at summer resorts or elsewhere in Canada. They may register at the place where they find themselves residing when the registration takes place. The registration card will indicate their permanent residence, and will be selected from the others and sent to the registrar of the district where their card would have been filed if they had been at home.

Mr. MacNICOL: That will help a great deal.

Mr. SLAGHT: I hope it will. As against deferring the registration until November or December, if that was in the mind of the hon. member—

Mr. MacNICOL: I think I suggested September, if the registration were deferred; I did not mention November or December.

[Mr. Slaght.]

Mr. SLAGHT: To my mind this is one of the most important defensive measures we have undertaken since the beginning of the war, and speed combined with efficiency is of the utmost importance. This registration, I am credibly informed—and I have taken some interest in this subject—will be of very great benefit indeed to Commissioner Wood and the secret service of the mounted police in the administration of the defence of Canada regulations, because of the information it will compel people to give. The knowledge that is obtained will be of great benefit for industrial, organization and military purposes, in that it will enable those in key positions to remain in those positions rather than be taken into the armed forces. All this is vital information, and to my mind it should be secured with the least possible delay. I should like my hon. friend and other hon. members to keep that in mind if they have any thought of criticism on the ground that this registration is being unduly rushed.

That, Mr. Speaker, is about all I have to place before the house at this time. I do not intend to be provocative towards my hon. friend the leader of the opposition (Mr. Hanson) and the hon. member for Yale (Mr. Stirling). I have no right to be ultra critical of hon. gentlemen of their parliamentary experience, but if I could bespeak from them some word to the country to rub out the suggestion of inefficiency in connection with the task ahead, I would feel that I had not spoken without some result.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, after that last sentence of the hon. member for Parry Sound (Mr. Slaght) I feel that I cannot possibly refuse to accede, at least in a degree, to his invitation and his plea. Having looked over the words which I used in the interrogatory I addressed to the Prime Minister the other day, perhaps I was a little too severe in the strictures I imposed upon those two gentlemen.

First let me deal with Mr. Justice Davis. I had understood that during the course of his political career he was a strenuous partisan. I do not think there was much question about that. First impressions are always difficult to eradicate, but let me say to you, Mr. Speaker, and to hon. members of this house that I had the pleasure of an interview with Mr. Justice Davis this morning. He came to see me on my invitation, and I am bound to say that he left me with the impression that he was a man who had undertaken to do a job and was going to do it. I think that is very honest. We had a splendid interview. My primary object in asking him to come to see me was to have him explain not only the

registration that is about to take place but more particularly the mobilization of the manpower of the country, about which I was particularly anxious. He gave me evidence of a lucidity of mind that I admired; and I am bound to say to the house that no matter what in the eyes of myself and my party may have been his offences in the past as a partisan Liberal in this country, I do believe in the assurances he gave me that having gone on the bench he had left that period of his life behind him and, in connection with this particular task, was out to do a job for Canada. Could I say anything more in that regard?

Now I should like to say a word with regard to Major-General LaFleche, whom we appointed in 1932 for two reasons. I was not in the ministry at the time; I do not believe I knew General LaFleche, but I knew of the appointment. In the first place General LaFleche was appointed because he was a returned soldier who had been wounded. In the second place he was appointed because he was a member of the great French-Canadian race, which was entitled to representation among the deputy ministers here at Ottawa. His appointment was more or less an experiment because he did not possess high administrative experience. Perhaps I am not in a position to judge as to how successful he was as an administrator. I want to be perfectly honest in the statement I am about to make, and I do not wish to do or say anything that would operate against him; but I just cannot eradicate from my mind his connection with the Bren gun affair and his subsequent appearance before the public accounts committee in connection with it. I think he stepped beyond the bounds of propriety on that occasion.

An hon. MEMBER: Under great provocation.

Mr. HANSON (York-Sunbury): The hon. member interjects, "Under great provocation". Well, be that as it may, the position is as I have indicated, namely, that he did step beyond the bounds of propriety which should have governed his conduct and his speech on that occasion. We all know that shortly afterward General LaFleche disappeared from governmental activity. The reason given out was the condition of his health.

Mr. MACKENZIE KING: It was the condition of his health.

Mr. HANSON (York-Sunbury): I did not say it was not. I say the reason given out was the condition of his health.

Mr. MACKENZIE KING: And that was the reason.

Mr. HANSON (York-Sunbury): If the Prime Minister will just wait a moment he will see that I am not questioning that. But I think, too, that possibly there was an additional reason. His health was good enough to send him to Paris.

Mr. MACKENZIE KING: But not until he had had a very considerable rest.

Mr. HANSON (York-Sunbury): Well, I know he was entitled to some rest. No doubt it was a trying experience for him. However his health is good enough to bring him back to Canada—but not in his original position as deputy minister of national defence. Well, there may be a reason for that, and I am not going to question it.

I quite agree that if the government is going to make a success of this measure there must be in the new department an official of the French-Canadian race. They must have recognition. The scheme may fail without that. Possibly General LaFleche will be as good an appointee as could be found. But I must say to the house and country that certainly at this moment I have not as much confidence in his efficiency as, I am bound to declare, I have in the efficiency of Mr. Justice Davis. I will not say much more about that. I hope both of them will do well, because there is a national undertaking to be considered, and the minister will require all the support he can get and all the efficient energy which can be brought to that support. I believe that so far as Mr. Justice Davis is concerned he will get it.

Just one word about the minister: He, too, has been placed in the category of a partisan. I appeal to the minister: this is the opportunity of his life to show to the people of Canada that he can rise above partisanship. I believe he will do that, and if he does he will become a great national figure in Canada. I believe he can do that.

Mr. McGEER: He is, already.

Mr. HANSON (York-Sunbury): I agree that he is a great figure in the ranks of the Liberal party. But I believe he will be a greater figure in Canada if for the time being he will forget that he is a Liberal. If he does that he will probably become, in the estimation of the Canadian people, a great Canadian.

Let me follow that up by saying that in my judgment already the minister has taken two important steps in that direction, and I commend him upon having taken those steps. In the first place I am judging him from the correspondence he has sent out to hon. members. The first letter had to do with the appointment of registrars, and the second,

which I received this morning—and I have no doubt it was received by other hon. members —deals with the setting up of honorary advisory committees in the different constituencies. I believe the minister is approaching in a splendid manner the consummation of the effort upon which he is about to embark. May I congratulate him upon both letters, and say to him that I believe the response from the membership of the house to the atmosphere he has sought to create, and which in fact in connection with those two letters he has created, will be of the same high character. I hope it may be truly stated that the registration will be absolutely non-partisan.

I am going to invite the minister to say something. It will be understood I do not wish to retard the progress of this bill, because the Prime Minister was good enough for my convenience to let it stand over until to-day. I had not intended to speak on the bill until it reached the committee stage, and would not have done so had it not been for the invitation of the hon. member for Parry Sound.

The intention of the ministry with respect to national registration is pretty well known. I am personally prepared to do everything I can to assist the minister in carrying out what he has in mind. It is a stupendous undertaking, and will require the good-will of all who have the interests of the country at heart, and who wish to secure the information for the government. But the most important factor in connection with the minister's undertaking is in respect of the mobilization measure, and the steps he must take under it.

To-day I took occasion to discuss that feature of the matter with Mr. Justice Davis, and to secure a clearer understanding of what it is proposed shall be done. I believe the minister would serve a useful purpose if he would take ten or fifteen minutes of the time of the house this afternoon to indicate to the house and the country what is to be done with respect to that measure, based as it will be upon the information to be secured under the registration measure. I understand one is to be the basis of the other.

If it is in order, and if he is prepared to do so I should like him to tell the house the nature of the questionnaire which will be submitted to each person who registers. Of course that is a matter of importance, if we are to have the necessary information from all individuals in each community. More particularly however I wish him to tell the house and the country some of the things Mr. Justice Davis told me to-day with respect to the question of mobilizing the man-power of the country. I would ask him to point out that certain groups are to be selected from among those who register, and that particular consideration will be given to what might become a very difficult problem, namely the question—not of exemption, because I understand there are to be no exceptions—but rather the question of the postponement of the call.

I have in mind a man from my community who is manufacturing last blocks for a large British firm which is manufacturing the lasts upon which are being made all the boots for the British army, and prior to the capitulation was possibly manufacturing them for the allied armies. He is exceedingly anxious that at least for a time, or until the material is sent to the other side, his key men shall not be taken. I thought as a result of my conversation to-day with Mr. Justice Davis I could assure him that that is the sort of thing designed to be considered under the provisions of the order in council, and under the regulations which will be set up under this measure and the one passed a short time ago. It would be my understanding that those men will not be called.

I believe the minister would serve a very useful purpose if he were to take time this afternoon to indicate in some detail the measures he proposes to take in that respect. There can be no question that certain portions of the country are anxious to learn the plans of the government in that respect—that is, if those plans have been formulated to the degree I believe they have been formulated, and if they are now ready for disclosure to the country.

The Prime Minister indicated in the statement which he was good enough to lend me afterwards that while the most immediate and most pressing duties to be discharged under the act were in connection with the conducting of national registration, there was also the question of the coordination of the work of voluntary service organizations, and the question of public information services.

In the public press of this morning there appeared an intimation—and I do not know whether the article was inspired—that another deputy minister might be appointed, in the the person of Mr. Lash, and that he would be attached to this department. It does not appear to me that that is necessary. It might be, of course, a great advantage to have that branch attached to this department, but I suggest that we are appointing a good many high officials and it should not be necessary to make this gentleman a deputy minister and give him all the powers and functions of that position. If it is not the intention of the government to do so, I think an annoucement at this time from the minister would be in order.

I have only one or two observations to make with respect to the bill itself. The bill

confers great powers upon the minister, there is no doubt about that. In essence it is a war measure, and because it is a war measure we desire to give it support. I do not know that there is great need for haste in order to make this bill law to-day, but if the Prime Minister says there is, I am quite willing to let the measure go through. In ordinary times a measure such as this would be debated from every angle, and I do not think parliament in peace time would give to a minister all the powers that are conferred by this bill. However, it being war time, we are prepared to delegate these powers to the minister on the theory and understanding that they are necessary for the due preparation of this country for its own defence and in order that aid may be given to the mother country. It is on that theory, and that theory alone, that we support the measure. Otherwise, we would never be willing to grant the minister the powers conferred by this bill. Section 6 states:

> The minister may perform such other duties as may be assigned to him from time to time by the governor in council, and he shall have all powers necessary to carry out the provisions of this act and of any orders in council or regulations made hereunder.

We are legislating by order in council. This is a most extraordinary power to be given to any government. Because it is war time we are willing to part with certain inherent rights of parliament and delegate these powers to the minister. I had hoped that the Prime Minister would not take all these powers under the mobilization bill and carry on by order in council, but perhaps I made my appeal to him at an inopportune moment when he was labouring under a little excitement. In any event, he refused to give consideration to any suggestion which was made at that time. I think it is the duty of hon. members who are not in the minstry, and of private members who may support the ministry, to scrutinize with the greatest care all the powers which the governor in council are to give to this minister designate and to anyone else who may be empowered under this authority. I think it is their duty to examine those powers with the greatest care, because they involve the liberty of the subject.

I do not think I should take up any more of the time of the house on the motion for second reading of this bill. I hope my opening remarks, so far as Mr. Justice Davis is concerned, will not be construed as a sign of weakness. I hope that they will be construed as an attempt to do the honourable thing. I have nothing to take back with respect to the other gentleman.

Mr. T. C. DOUGLAS (Weyburn): Mr. Speaker, I desire to make only a few remarks on the second reading of this bill. There is considerable information we should like to have before attempting to appraise the full value of this bill, but we can get that when the house goes into committee of the whole.

First of all, I want to extend my congratulations to the minister-designate of the new department which is now being set up. He holds views which are diametrically opposed to the views we hold, and our economic loyalties have at times been pointed in different directions, but those of us who know the minister respect him for his aggressiveness and his organizing ability. We know that when he puts his mind to it, he can do a good job. This bill gives the minister tremendous powers, but at the same time it places him under tremendous responsibility. The Canadian people will hold him responsible for the powers being granted. In time of war, by the very nature of things, parliament is compelled to give the ministers of the crown very wide powers, such as are contained in this bill. But parliament and the public generally will hold responsible any minister to whom such powers are given.

There is a great desire on the part of people all across this country to render some voluntary service, and there has been a need for the coordination and organization of this voluntary effort. I think it should be kept in mind in organizing this effort that it should take in all sections of the community and all parts of the nation. This is not a Liberal war; it is not a war of any one section of the community. In organizing this voluntary effort the minister will have to keep in mind the fact that people from all political parties and all groups in the community will want to do their share. I shall not attempt to follow the hon. member for Parry Sound (Mr. Slaght) and say whether I think the minister and Mr. Justice Davis are partisan or not. This is a time when we should measure people not by recriminations but by the results they are able to produce. After all, I suppose any man is partisan who believes profoundly in the thing for which he is fighting. One thing we are asking is that in organizing the people of Canada so that they may make a great contribution toward winning this war, all sections of the population be given an opportunity to play their part, irrespective of their politics or religious or social points of view. If that is not done, the purpose for which this department is being set up will be defeated. If the minister is able to do it, he will render what is in my opinion the greatest contribution toward Canada's war effort, next to that made by the active services.

In organizing this voluntary war effort one of the first things that ought to be done is to use the material already gathered. I assume the minister is going to use the information obtained by the voluntary registration bureau. There are people living in outlying places in Canada who had technical experience in the last war. I have in mind four or five people now living on farms who did specialized work in the last war. One man in my constituency spent twelve years in India under the British government doing special work connected with the manufacture of aeroplanes. I know of other men who did specialized work in the munitions industry in England during the last war. These people all wrote to the bureau for voluntary registration. In some cases they got no answer at all, while in others their offers were merely acknowledged and nothing has been done. I know there has been a tremendous bottleneck, but if it is humanly possible steps should be taken to give these people an opportunity of making the full contribution of which they are capable.

This bill places the department of information under the jurisdiction of the minister-designate. As the Prime Minister put it, "democracy depends upon the spontaneous support of an informed public opinion". No truer words could be spoken. I was interested the other day in reading that an English correspondent who had lived for some years in France said that the French republic collapsed because the common people did not know just what they were fighting for. We should be amazed if we stopped to think how many people in this country are in exactly the same position. We know in this house what we are fighting for; the people we meet here know it, and professional people know it; at least I assume they do. But go out into the country in parts where people do not get a daily paper or have not a radio, where they read perhaps only the weekly papers and in some cases that terrible "crackpot" type of literature circulated in so many corners of this country, and you will find more confused thinking to-day than probably there has ever been before in this country.

In his book *Mein Kampf*, Adolph Hitler says that the British won the last war because they mastered the technique of propaganda, and he goes on to say that before the next war broke out Germany would have mastered it. Certainly they have done so. Theirs is a twofold propaganda, one to build up the morale of their own people and the other to destroy the morale of their opponents, and in this latter they have unfortunately been only too successful. If there is anything we need in Canada it is an organized branch of information under the minister which will give to the people of Canada, in terms which they can understand, a clear idea of what this war is about, of the stake they have in it and of the contribution they can make towards winning it. Last fall I accepted a lecture tour with the Red Cross. I went over a large territory to explain why I, holding the social and economic views I do, felt that we ought to be in this war for all we were worth. People would come up and ask questions, and I was amazed to find how much confused thinking there was even among people in our own country.

More use could be made of propaganda over the radio—and I am using the word in its best sense as meaning the propagation of an idea. We have not begun to use the radio as it might be used. Here again the minister will not think I am criticizing, because he has not yet taken over the department. People do not want to hear just one class of people over the radio. I should like to hear, for example, a trade unionist say why he has something at stake in this war. I should like to hear a farmer tell over the radio what he has at stake and a socialist tell why he feels he has something at stake in this war. I should like to hear a man who believes in the principles of Christianity tell us of the stake he has in this war. All classes of people in Canada representing different faiths and different ideologies ought to be presenting their side of this whole war question, thus reaching others in the community who are like-minded. There are people in this country who have fled from Germany in the last four or five years and who know what Germany is like under Hitler. We have had them come to us and tell us their terrible story of the last few years, how terribly they were treated in Germany prior to escaping. Many of them speak excellent English. Many of them held responsible positions in the old German republic. People of this kind should be put on the air. Thomas Mann, the great German novelist who wrote "This Peace," was in New York a little time ago; I believe he is there still. He should be put on the air to talk to English-speaking Canadians and Canadian people of German extraction, to tell them what Hitler has done to the German people and the free institutions of Germany. People like Thomas Mann and his daughter, Erica, and many others living in this country or the United States have a message for people who think that Hitler is not a real menace. Anyone who thought that would be sadly disillusioned after hearing Thomas Mann and people of his type.

I think some good could be done by dramatizing these things over the radio. The Americans are probably the only people who use the radio effectively in the realm of drama. The English have not mastered the

technique, nor have we done so in this country. Many good plays have been written within the last few years regarding the nazi regime and the menace of nazism. These plays could easily be adapted to the radio. Plenty of stock companies, such as the John Holden Company, are doing good work and might be willing to give their time once every two or three weeks to dramatizing these plays, so that the Canadian people may be told in dramatic form just what it would mean in this country to have a nazi regime. The same idea could be carried out through the movies; plays might be made available to amateur theatrical groups all across Canada. Anyone who has tried to get plays for amateur theatrical groups knows how difficult it is to procure them. If these plays could be secured through the department, an educational programme could be carried on right across the country.

In the same way we could carry on adult education. I suppose there is hardly a member or a teacher or a doctor or a minister of the gospel in any part of Canada who is not asked at some time or other, perhaps once a month, to speak to a service club or other organization with reference to the war. It is not always easy to have access to material that is interesting and refreshing. Speakers' notes could be sent out to teachers, clergymen and others in the habit of public speaking, making suggestions, giving them ideas and accurate data which they could use in speaking to service clubs and other organizations, and to school children. This would help to build up across Canada a democratic front and a consciousness of the issues that are at stake in the great war that is being fought to-day. There are many organizations in Canada which would be willing to sponsor oratorical contests for high school students, as the Imperial Order of the Daughters of the Empire does; farm groups, community clubs and other organizations would very likely sponsor oratorical contests. Speeches could be set which would make it necessary for the contestants to study along particular lines, and once they get to studying at home it is not long before they get their parents helping them. People who came to these oratorical contests would hear the subject discussed from a new angle, and thus we would be helping to build up in the community a new concept. I think this is tremendously important.

Circulating libraries could be set up, but I am not suggesting that they be set up necessarily by the department. The department could encourage in each province the idea of circulating libraries which would send out suitable books showing what nazism and fascism mean and the comparable benefits of democracy, stating the issues that are actually being settled in Europe to-day—and probably at some time may be settled on this continent. I do not think it is too much to say that a nation is only as strong as its morale; the moment any nation comes to the place where it does not know what it believes in, or what it is fighting for, where it does not know the things that are worth preserving and those that are not, that nation is finished as a great nation. There is room in this country for a man with courage and daring and vision to fire the imagination of the Canadian people and to rally them around the war effort of Canada.

The Prime Minister said that democracy depends upon the spontaneous support of informed public opinion. That is true. I assume the minister will have something to do with the dispensing of news. It is important that the Canadian people shall know that they are as fully informed as it is possible for them to be without actually giving them military secrets, and that they are not being fed with half-truths. Correspondents returning from Paris have all said the same thing, namely, that the French people did not know what was going on until the calamity was already upon them. The Canadian people do not want that; they want to know the truth even though it hurts. Even though the news is bad they want to know it. They do not want to be kept in a fairyland; they are grown-up enough to be told when things are not going well.

Under this legislation the minister-designate will have the carrying out of some of the objectives of the National Resources Mobilization Act. I should like to know later on to what extent the mobilization of industry will come within his jurisdiction, because I want to say to the Prime Minister particularly that it is not enough to mobilize voluntary effort, it is not enough to mobilize manpower; aggressive steps will have to be taken to mobilize industry if the Canadian people are to be rallied whole-heartedly behind the war effort. The day is past when the public can be got to work hard for nothing if they think that there is a small select group who are getting large salaries or huge profits out of the war. And there is nothing that would rally the Canadian people more wholeheartedly behind what the government is trying to do than informing them that the mobilization of industry is going on apace with the mobilization of man-power and voluntary effort.

There has taken place in Great Britain in the course of the last few months what some writers have called a veritable miracle.

Prior to that time the British people were working hard, but it was like a tug-of-war team in which the men were not pulling in unison. During the last few months they have been pulling together. It has amazed everyone. They have doubled aircraft production; they overcame obstacles which up to that time had been holding them back. And there is a good reason for it: the British people have become convinced that every man on the team is now pulling his weight, the rich as well as the poor, the great as well as the common man. It has put new enthusiasm into the people and given new meaning to their effort. The same thing can be done in Canada. The Canadian people are willing and anxious to do their share, but they want to know that every other man in Canada, be he great or small, is also being compelled to pull his weight in this grave hour.

Hon. J. G. GARDINER (Minister of Agriculture): In view of the fact that the leader of the opposition (Mr. Hanson) has come back into the house, and because he asked me to say a word or two before the bill has its second reading—

Mr. HANSON (York-Sunbury): If the minister would prefer to do it in committee, that would be satisfactory.

Mr. GARDINER: I was just going to say that I think the particular matter of which the leader of the opposition spoke could be better dealt with when we are considering the sections of the bill in committee.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Vien in the chair.

Sections 1 to 3 inclusive agreed to.

On section 4—Duty of minister.

Mr. MacNICOL: Would the minister give the committee some information as to what he proposes to do under this section?

Mr. GARDINER: Let us look at the preamble to the bill, which states:

> Whereas by reason of developments since the outbreak of the present war a special emergency has arisen and the national safety of Canada has become endangered, and
>
> Whereas The National Resources Mobilization Act, 1940 provides for the mobilization of all the effective resources of the nation, both human and material, for the purpose of the defence and security of Canada, and
>
> Whereas it is expedient to create a Department of National War Services to assist in carrying out the purposes of The National Resources Mobilization Act, 1940 and for the other purposes of this act;

That states the general purposes as definitely as they can be stated. Then section 4 reads:

> It shall be the duty of the minister to assist in carrying out the objects of the National Resources Mobilization Act, 1940.

I take this to mean that the minister must do everything it is possible for him to do in helping towards the ends outlined in the preamble.

Section 6 provides:

> The minister may perform such other duties as may be assigned to him from time to time by the governor in council, and he shall have all powers necessary to carry out the provisions of this act and of any orders or regulations made hereunder.

I assume it will be my duty to examine into conditions as they exist in Canada in relation to both human and material as they affect our war effort, to make recommendations to council from time to time as to what I think might be or ought to be done either by this department or by other departments of government; and if the government feel it is in the interest of Canada that such things should be done as a special duty under this department, they will no doubt pass an order in council making that possible. If they feel certain things should be done under some other department, they will be taken up by the other department.

Section 5 sets out certain definite matters that we are already practically instructed to undertake and do immediately the department is set up.

Mr. STIRLING: Would the minister explain paragraph (b) of section 5?

Mr. GARDINER: When we come to that.

Mr. MacINNIS: Before section 4 is carried, I wish to protest against the way in which the assistance of the members has been asked, at least as far as I am concerned, in connection with carrying out the registrations under this measure. On Tuesday evening about five o'clock we received in our mailbox a letter from the minister (Mr. Gardiner) asking our assistance in appointing registrars and assistant registrars in our constituencies. So far as members living near Ottawa are concerned, it might be possible to make recommendations in the time allowed. We received the letter on Tuesday evening, and we were instructed to have our replies in the hands of the minister by Thursday evening. So far as the western members are concerned—

An hon. MEMBER: It was Saturday.

Mr. MacINNIS: No; Thursday evening was stated in my letter. It is absolutely impossible even by air mail to send a letter to Vancouver and get a reply in forty-eight hours; that is, all the time would be taken up in travelling and the delivery of the letter.

The appointment of persons to fill such positions I regard as of considerable importance and one that could not be made without a good deal of deliberation. Furthermore, it is a thing that could not be done on a partisan basis. I could not say to certain people in my political organization that they were appointed to do this work. I would not do that under the circumstances because it is a matter altogether apart from political considerations. Consequently, if the department is going to ask, and if it expects to receive, the assistance of members, we should be given sufficient time to enable us to act with deliberation in the circumstances. Although we received the letters on Tuesday evening, on Wednesday morning one of the deputy ministers was here, brought all the way from Saskatchewan. Therefore we must conclude that arrangements for the registrations had been under consideration for some time. I hope that if members are asked for assistance in the future, we shall be given more time so that we can attend properly to the work that is required of us.

Mr. GARDINER: May I first give a word of explanation in answer to the criticism of the hon. member for Vancouver East (Mr. MacInnis). The letters were sent on Tuesday to all members of the house and later that evening, after discussion with members of different groups, I arranged to have the designated deputy appear in the committee room on Wednesday morning to meet all members who cared to be there and to give them any information he might have with regard to the general workings of the plan we had in mind. On that occasion I was asked by members to give a longer time for the choosing of the registrar and the assistant registrar. Those who were present will remember that request came at the time from those closest to Ottawa, the reason being that they were going home over the week-end and could better deal with the matter if they were allowed to go home. I stated then that so far as those of us who were farthest away were concerned—and that applies more particularly to the hon. member who has just spoken than to others, except those from Victoria—they would be required to bring about whatever discussion was involved in their areas either by telegram or telephone or air mail, and therefore they would require at least as much time as anyone who was living near. I did suggest that if most of those who were near would try to get their information in by Thursday night we could allow more time to the others, and we did allow another two days, which allows to Saturday evening.

Let me express my appreciation and that of Mr. Justice Davis to hon. members who have functioned so efficiently in that regard. Last night most of the names were in our possession, and I understand that we shall have them all before to-morrow night, unless there is the one exception. I do not know whether the hon. member (Mr. MacInnis) will be able to get his in by that time, but I hope so, because every day of delay after Saturday night will mean one more day that we shall have to wait before making the registration. For that reason we should like every effort to be put forth by those who have not sent in their names—perhaps I should say the few who have not sent them in—to have them in by to-morrow evening.

I think I can give the leader of the opposition (Mr. Hanson) as well as other members of the committee the information which is desired, in the shortest time if I read at least a part of a letter which is going out to the judges across Canada in relation to this undertaking, because in that letter a general explanation is given of the whole plan, and it would be well to have it placed on *Hansard,* so that all members can read it. I quote:

> The boundaries of the registration unit will be co-terminus, or as nearly co-terminus as possible, with the boundaries of polling subdivisions in each federal constituency in the election held in March last. All persons above the age of sixteen must register. The registration will go on for three or four days. When completed, the registrar in the local polling booth will extract the cards of all male persons between the ages of twenty-one and forty-five and will make copies thereof.

Mr. MacNICOL: Should it not state, twenty-one on a certain date?

Mr. GARDINER: Yes. That is provided for in the regulations. That will be made clear. I believe the age is that as of the day the registration will start.

> All the original cards will be sent by the deputy registrar in the poll to the registrar, whose position corresponds to that of a returning officer in a dominion election. The registrar sends all these original cards to the bureau of statistics at Ottawa. There is therefore left in the province the copies of the cards of single men between the above ages. The deputy registrar sends these copies in a separate bundle to the registrar for the constituency and the registrar therefore will have in his possession the cards of all single men in the constituency between the said ages.

Mr. MACKENZIE KING: May I ask my colleague to allow me to interrupt him for a minute to point out that, according to the rule,

if at the hour of six o'clock p.m. the business of the house is not concluded the Speaker leaves the chair until eight o'clock. As hon. members are aware, the deputy of the governor general is coming some time this evening—it may be quite late—to give assent to the bill passed yesterday appointing a Minister of National Defence for Naval Services. The government would like very much, if it could be so arranged, to have this bill also assented to at the same time. It would mean that we should not have to have a second assent next week, and it would enable the two ministers, the Minister of National Defence for Air and the Minister of National War Services, to be both sworn in to-night. I have arranged with His Excellency the Governor General to have that particular function performed as late as midnight if necessary. If it is agreeable to the house that we continue now, we should be able to conclude this bill in time to have it go to the other house and then arrange for an adjournment until half-past nine, at which time the bill in all probability would be back from the other house and the formal ceremony of assent could then take place.

Some hon. MEMBERS: Agreed.

Mr. GARDINER: To continue:

It will be the duty of the judge in charge of the constituency to go through these cards and classify them into two groups, namely, those who could safely be called at once for military training in Canada and those who should not be called up because they are engaged in some vital war industry. It is not the intention to set up tribunals or to have this judge hear any viva voci evidence.

It is realized that we must work out some principles to guide the judge, because this is a matter of national policy. The national government must designate essential industries as against non-essential industries, and an attempt will be made to furnish the judge with a list thereof so that he will have this as a guide.

The judge, therefore, will have the card of the man under consideration, and also any written representations that his employer may see fit to make; and on the evidence before him he may determine the matter with regard to making divisions. Instructions to the registrars for the registration are going forward at once. The registration will take place some time about the middle of August. The present view is that probably August 19, which is a Monday, will be about as early as that registration can start. The judges actually will function a day or so after the registration is complete; and between now and then we shall have prepared, printed and distributed to the judges instructions as to what are considered essential and non-essential services, and the principles to be followed and accepted. Naturally we shall be able to outline only broad principles, which the judge will have to apply to the individual case.

We have chosen the judges so that the people of Canada will be assured that an independent tribunal has dealt with each individual case and has classified the man as either immediate or postponed. In this way no undue, improper pressure can be brought by any person to have a man's name placed on the postponed list. As I have said, there will be no exemptions except a few limited by law, and a person will always be subject to call. The question of when he will be called will depend upon whether his name is on the immediate or the postponed list.

After the local judge in the constituency has classified the cards in this way, all cards, with the report of the local judge, will go to the central judge, who will keep them in his possession. He will be called upon to check the cards and classify them into age groups; that is, twenty-one years old, twenty-two years old, and so on. He will therefore know how many young men there are in each province from twenty-one years up immediately available for military training.

Mr. HANSON (York-Sunbury): Is this the married class?

Mr. GARDINER: This is the unmarried class. He will also know the number of men of twenty-one and up in the province who are on the postponed list because they are engaged in vital services. When we are notified by the military authorities that a certain number of men are required—and it must be remembered that these men are required for military training, not for military service—then the central judge will go to his records and call up the requisite number from the twenty-one year old class in the immediate list, and will go on from year to year until the required number has been called up. I might explain that by saying that if in a district there are four thousand men of this class and the requirement is for only one thousand men, they will start at twenty-one and go to the age necessary in order to get the one thousand out of the four thousand.

The duties of the local judge in each constituency will terminate when his work is completed after the registration, but the position of the central or directing judge will be more or less continuous. Provision will have to be made to deal with cases of men who come of age after the registration, and this central judge also will have to deal with the calling up of men from time to time for

military training as their services are required. In every case under this set-up they are called for military training, not necessarily for service. It is our desire that as many as possible of the judges of the superior courts of Canada, or of the district courts, should be used, and that only when judges of this type are not available should we call upon the services of police magistrates. In some instances, in order to get the work done with sufficient speed, it may be necessary to call in the assistance of some of the police magistrates, but we hope to have the greater part of the work done by the judges.

I think that gives enough detail to answer the questions suggested by the leader of the opposition. If there are any other questions I shall be glad to attempt to answer them.

Mr. GLADSTONE: Will marriage now transfer a single man to the married class?

Mr. GARDINER: There is a provision in the regulations that if they are unmarried on July 15 they will be considered as unmarried men.

Mr. MacINNIS: I should like to add one further word in regard to the matter I have already mentioned. The minister said the names were coming in rapidly, and he hoped that my names would be given him in due course. When on Thursday evening I found that I could not make the recommendations, the very first thing the following morning I wrote the minister advising him that I had not time to make the recommendations for appointments which would have to be made by his department. I regretted having to do that. It was not because I did not want to assist the minister, but because I did not have time to make them. Again I protest against the way this thing was done.

Mr. GARDINER: I can only say that when I received that letter I acted upon it at once and sent word to Vancouver to consult all the groups in that constituency and try to make recommendations to us. I do not know whether those recommendations have come in as yet.

Mr. DOUGLAS (Weyburn): Will these judges in the local constituencies be the sole arbiters, or will there be any consultative tribunal sitting in with them representing different groups in the community?

Mr. GARDINER: As I tried to indicate, the classifications probably will be decided in general terms by some tribunal and sent forward to each judge so that similar action will be taken in all constituencies across Canada. The judge himself will have to determine, from what he knows of the individual according to his card which is filled out—

Mr. DOUGLAS (Weyburn): Decide by himself?

Mr. GARDINER: Yes, by himself. He will have to determine under which classification that man comes.

Mr. DOUGLAS (Weyburn): But will there be tribunals set up?

Mr. GARDINER: At the moment I do not think so. I believe we shall depend upon the judges. We should like to leave it to the judicial authorities to make these decisions.

Mr. DOUGLAS (Weyburn): If it should be decided to set up tribunals, I think the people would want to see these tribunals representative. That is, in a labour centre some labour representative might sit in; in a farming community it might be the reeve of the municipality, or someone like that.

Mr. GARDINER: There will be representation of that kind on the tribunal, if you wish to call it that, which will sit here in Ottawa in the first instance in order to determine how these classifications should be made.

Mr. ESLING: Does the minister not think it would facilitate matters if he would make it quite clear that the national registration is totally independent and apart from section 64 of the Militia Act?

Mr. GARDINER: Yes, it is entirely separate and apart from that.

Mr. ESLING: I think that should be made quite clear to the young men registering.

Mr. GARDINER: Before the section passes, I should like to say that I think an effort should be made by all of us who are members of this house to emphasize the fact that this is a registration of all the people of Canada. We have two purposes in mind, the first one being to get a complete picture of the condition existing with respect to man-power and woman-power in Canada to-day, with regard to where they are, their background and their condition of health. All information of that kind would be required, and it will be made available not only to the Department of National Defence but to all departments of government—old age pensions, health, and so on. This information can be used for different purposes in connection with the care of our population during a period of war, and perhaps afterwards.

The other purpose is the one which has been outlined, namely that of obtaining a

registration of those who are available for training in Canada immediately and throughout the war period.

Section agreed to.

On Section 5—Powers of minister.

Mr. MacNICOL: I should like some explanation respecting paragraph (a). I do not wish to delay the progress of the bill; I am merely concerned with the question whether the scheme can be carried through in anything like the time the minister has indicated. I know he wishes that the work be completed quickly and that it be well done. Under the present scheme pertaining to general elections the work is well and quickly done. I should like some assurance that under this scheme of voluntary effort the work could be done in even twice the time the minister has in mind.

Mr. GARDINER: One difficulty in following the method of enumeration is that someone must assume responsibility for the registration. This plan places the responsibility on the person who is to be registered. We say the individual must register within four days. We will estimate as nearly as we can, before it is definitely set down, what the number of days will be, but the time will be the time within which we believe we can do the job. This having been decided, it will be the duty of every individual in Canada from the age of sixteen upwards to register.

The procedure is somewhat different from that followed at election time, or even in respect of enumeration. If we were to send enumerators around to make the registrations the enumerator would be responsible for having secured or not having secured the names. I am afraid in some districts great difficulty would be experienced by the enumerator. When making a list it is not necessary to meet every individual. He finds the head of the household and lists the members of that household. But in this instance it will be necessary to see the person and to have a card filled out. A card will be given to the individual, and he or she may carry it. That is the proof that registration has been made.

Mr. MacNICOL: Will not the individual have to go to a registration booth?

Mr. GARDINER: Yes, under this plan. But under the other plan they would have to be found, and a much longer time would be required. We hope—and I believe that hope will be realized because of what hon. members have said to me individually, and from what I heard at the meeting the other morning—that we may be able to set up a fairly complete voluntary organization in every constituency. This would be somewhat along the same basis, with possibly some slight variations, as that set out in the second letter I sent yesterday. May I say in fairness that the suggestion came first to me from one of the members of the opposition to the effect that in many constituencies, and particularly in city constituencies, where there are more in the polling divisions than there may be in rural constituencies, it might be necessary to have a certain type of individual working in an honorary capacity and on a voluntary basis to get this job done.

I do not see anything impossible in connection with the procedure of having one man in charge of a registration booth for, let us say six hours of the day, and a second man in charge for a second six hours of the day, thereby making it possible to have the booth open twelve or even more hours in a day. They are paid because they are the supervisors, and they will receive an amount which has not yet been settled—possibly $2.50 or $3. The amount will not be more than sufficient to pay for their meals, because most of them will have to be away from their homes throughout the whole of the day they are acting.

Then, the other work can be done by voluntary workers. There is no reason why there should not be a half-dozen tables in one booth, under the direction of one person, thus making it possible to register a greater number of persons in a poll of the size indicated a few minutes ago by the hon. member for Davenport.

One other point ought to be understood in connection with this voluntary organization. We hope to be able to indicate to the people in different polling divisions—and perhaps this would apply more to the country than to the city, although to a certain degree it will apply to the city—that if they all come in in one day, or even a great majority of them, it would not be possible to carry out their registration. For instance, if all decided to come on the last day, registration would be very difficult. It is a four-day job. We hope under the voluntary arrangement to go through the process of dividing the poll in one of two possible ways, either by asking all people whose names begin with a certain letter to turn out on a certain day, or by dividing it as to territory, in which event we would require all the people in a certain territory to come to the booth on the same day. Then we would put forth an appeal, through voluntary committees, to get persons who had found it difficult, through lack of transportation, to visit the booth, to come to the poll and register. We think that by encouraging voluntary effort of this kind we can make this succeed.

We think too, that it is only by stirring up the idea that this registration ought to be made, and that Canada needs it, and by inducing people to come out and to give their services, the registration can be properly made. We hope to bring about the necessary publicity and put out the necessary information to induce people to come and do that job. I think we will be successful in registering all the names in the four-day period for which we have provided at the present time.

Mr. HANSELL: I have been more particularly interested in the minister's concluding observations. Some of the constituencies are rural. In my own constituency there are only one or two fairly large towns, and even these would not have populations of 4,000 people. The registration is to be done at a time of the year when it will be difficult to obtain voluntary workers, because in rural communities the farmers will be engaged in their work.

I make this suggestion: through the medium of the press a good deal of information and many requests for voluntary assistance could be made. I believe the newspapers would do a great deal towards inducing people to volunteer their services if they were to allot to the minister a certain amount of advertising space and give him an opportunity of inserting display advertisements, at the bottom of which could be inserted the sentence, "This space donated by"—and then would follow the name of the newspaper. The people would then know that certain services were being donated toward the carrying out of this work, and they would be ready to follow suit.

The hon. member for Acadia (Mr. Quelch) has just whispered a suggestion to me. Perhaps the Canadian Broadcasting Corporation would donate certain time on the air, as well as the local stations. The minister, or even the Prime Minister, and the leaders of the other parties, could speak over the air and urge the people to get behind this registration. It could also be announced over the air that the time being used had been donated by the local station. Of course we must get the broadcasting stations and the press to consent to this, but I think it would provide an inducement and incentive for people to volunteer their services.

Is this to be a national registration for military service?

Mr. GARDINER: Military training, not service.

Mr. HANSELL: But they are to be liable for military service.

Mr. GARDINER: Only for military service in Canada for the defence of Canada; and that service would not necessarily be required under this act.

Mr. HANSELL: I hope we are not getting away from the spirit of voluntary service. I do not know whether the minister has before him a copy of the proposed registration form, but I was wondering if the person registering could not be asked what type of service he would like to give. There are a number of young men in my community who are interested in radio transmitting. I believe there is an organization of these amateurs in Canada. My hon. friend tells me they are called "hams." I see no reason why the knowledge of these amateurs could not be utilized. There may be medical students who would like to pursue their studies, and even a truck driver might want to offer his own particular type of service. I think this is something that should be considered. We must not create the impression that we are grabbing hold of these young chaps and pushing them into a certain line of service. We should endeavour to show not only that we want the service the individual can render, but that we want it given in a way which will convince him that there is complete cooperation throughout the entire national service.

Mr. GARDINER: I am sorry, but I have not the questionnaire before me. With regard to the first suggestion of my hon. friend in relation to newspapers, I am glad to say that most of the representatives of the press have asked from us copies of the questionnaire and have offered to publish it free of charge—to-morrow if we can have it ready. It is being printed at the present time, and the moment it is ready we intend to take advantage of that offer. In that way every one will see what it is and can prepare his answers before the time of registration. The questions are intended to get full information as to what an individual is capable of doing. He will be asked as to his training and previous experience. There will be many who have not had the opportunity of attending university to take an engineering course and who would like to take up engineering training. As I remember, there will be no effort to obtain information as to what line an individual might like to follow. The intention of the registration is to get full information which will make it possible to segregate the single men from twenty-one to forty-five years of age.

As far as military training is concerned, I would judge that all that could be done in six weeks' time would be to train a man in

marching, handling a rifle, good discipline, how to act under command and all that kind of thing; it would be a general drill training.

Mr. HANSELL: I think that is good at any time.

Mr. GARDINER: That is about all that could be given in that period of time. However, I think this result will follow. As a result of this training, many of these young men will decide that they want to go into one of the services and will voluntarily offer themselves to that service. They will be able to enlist voluntarily in the militia or for overseas service. I do not think there will be any difficulty about finding out later on what a young man has in mind in connection with the line of training he would like to follow.

Mr. MacNICOL: I have a suggestion to make which might speed up this registration. Instead of the two deputy registrars working only six hours a day, it might speed things up if the one would remain in the booth while the other was calling from door to door to tell people to come and register.

Mr. MacINNIS: Paragraph (c) refers to the coordinating of different forms of voluntary assistance. I have before me a letter which I received from the British Columbia teachers' federation. The secretary of this organization states that they have offered their services to the government, with particular reference to the summer vacation period. Will the government get in touch with this organization and will this offer be accepted? Perhaps they could be communicated with and told how they could best assist in this matter.

Mr. GARDINER: I think it was mentioned in the letter sent out on Tuesday that we intended to make particular use of school teachers, secretaries of municipalities, those who had special qualifications in the way of accounting and clerical work, and all others who are willing to offer their services. The assistance of these people will be necessary if we are to make this registration in four days. I do not think any group will be more helpful, particularly in the rural districts, than our school teachers. We intend to make an appeal to them.

Section agreed to.

On section 7—Other organizations.

Mr. DOUGLAS (Weyburn): This section reads:

> The minister may establish national, provincial, or local councils, committees or boards and use existing organizations and agencies to assist him in carrying out the purposes of this act.

[Mr. Gardiner.]

Might I urge on the minister the need for making these councils and boards as representative as possible. The minister is making a good start in the matter of local councils, but steps should be taken to see that the different classes in the community are represented on the provincial and national councils. I think we have failed to recognize the fact that 85 per cent of our people are not judges or lawyers or members of parliament but industrial workers, farmers, street-sweepers, mechanics and so on, and they should be represented. Most of us who listened the other day to the Prime Minister reading the membership of the various war boards were dismayed to find that the great mass of the Canadian people who pay for the war and fight and send their sons to fight were not directly represented. These national and provincial councils that are to be set up should be representative of the great mass of the people.

Mr. GARDINER: They will be representative of organizations such as labour organizations, for example, which have in fact already written and asked for representation on any committee that might be set up. There will be representation of farmers and of merchants, I presume, and of people engaged in industry generally. There will be representatives of women's organizations, and I should say at this moment that we owe a considerable debt to the group of women who have already made a registration of the woman-power of part of Canada and have listed between two and three hundred thousand women, together with much valuable information which probably will not be obtained through the questionnaires. We shall try to have all the organizations that are set up in connection with the administration of this measure as representative as possible of all the different groups of people in Canada. I am sure the hon. member for Weyburn (Mr. Douglas) will agree with me in this, however, that it would be impossible for us to have every type of labour organization in Canada represented. We shall have to take their main organization as representing them all. The same is true of farmers and other classes.

Mr. FAIR: Is it the intention to select a farmer locally or to have representatives of organized farmers on these councils and boards?

Mr. GARDINER: It would depend on what is to be done at the time. If it is some local matter that can be dealt with in the community, it may be that persons out there would be selected for that particular activity, but if we were taking action affecting farmers generally we would probably take one of the

higher officers of a farmers' organization. That would be the only way in which the matter could be dealt with.

Section agreed to.

Sections 8 and 9 agreed to.

On section 10—Orders and regulations.

Mr. DOUGLAS (Weyburn): The regulations to be passed under this measure will be very important. While no provision is made for it, would it not be possible to have copies of the regulations sent out to the members when the house is not in session? The regulations would be tabled if the house was sitting.

Mr. HANSON (York-Sunbury): I was going to ask somewhat the same question under the next section, and my colleague the hon. member for Yale (Mr. Stirling), remarks that he has already asked that question. This is a scheme of national service upon which is to be based a subsequent scheme, we expect, of military service, and I would think that provision should be made as was done in the mobilization bill to have the regulations distributed so that they will be a matter of wide public knowledge. I throw out that suggestion and leave it at that.

Mr. GARDINER: While it is true that such a provision appeared in the mobilization bill, the draftsmen of the justice department were inclined to take strong exception to it. They said it was a poor principle to follow. I would point out that in connection with all the activities conducted under this legislation it will be absolutely essential in ninety-nine cases out of a hundred, I would say, that the substance of every regulation which is made and every order in council which is passed be published in the press of Canada the next day, or very shortly thereafter, because this is a work that is going to be carried on actively among all the people of Canada during the whole period that the legislation is in operation, and it is essential that the people should know what is being done. I do not think it would be necessary to distribute the regulations to hon. members, because they would all get them through the press before copies could reach them in any other way.

Mr. HANSON (York-Sunbury): At the risk of delaying the proceedings, I should like to know what was the objection which the draftsmen had.

Mr. STIRLING: It does not occur to me as fitting that members should have to rely for their information on the newspapers. We do not all keep private secretaries to clip all the papers in our neighbourhood.

Mr. GARDINER: Hon. members can absolutely rely upon our continuing to follow the practice that we have to date. We have already sent two letters to the members indicating how we should like them to help us and how they might get others to help. We shall certainly keep the members fully informed because we want their full cooperation.

Section agreed to.

Sections 11 to 13 inclusive agreed to.

On the preamble.

Mr. MacNICOL: The hon. member for Parry Sound (Mr. Slaght) when speaking implied that I had asked for a delay in the operation of this measure until November or December. I did not say any such thing as that. I never mentioned November or December. What I did say was that the bill might have been passed in June and that the registration could then have taken place while everyone was at home. I did say that perhaps it would be a little more difficult to make the registration in August than in June, but I certainly never suggested in any way whatsoever that it should be delayed until November or December. I am all for the registration, and all for getting it done.

Preamble agreed to.

Bill reported, read the third time and passed.

BUSINESS OF THE HOUSE

Mr. MACKENZIE KING: Before you leave the chair, Mr. Speaker, I would move that the house take recess to meet again at 9.30 p.m. If the bill is not back from the other house by then, the time might be occupied with ways and means resolutions, if that be agreeable to hon. members.

Mr. STIRLING: There will be about nine of us here.

Mr. MACKENZIE KING: We can take anything that is agreeable to hon. members.

Mr. HANSON (York-Sunbury): I do not think we ought to be asked to take ways and means.

Mr. MACKENZIE KING: I suggested ways and means as a means of occupying the time. However, we might adjourn till 9.30 p.m. and be prepared to receive the bill when it comes back from the other house. The time for assent to the bills will be announced at 9.30 p.m.

Motion agreed to.

At 6.41 p.m. the house took recess until 9.30 p.m.

After Recess

The house resumed at 9.30 p.m.

The sitting was suspended until 10.50 p.m.

And having resumed,

Mr. MACKENZIE KING: Mr. Speaker, I move that the house do not adjourn at eleven o'clock but that the sitting be suspended, the house to resume at the call of the chair. This motion is necessary in view of the rule that the house shall adjourn at eleven o'clock.

Motion agreed to and sitting suspended.

The house resumed at 11.25 p.m.

THE ROYAL ASSENT

A message was delivered by Major A. R. Thompson, Gentleman Usher of the Black Rod, as follows:

Mr. Speaker, His Honour, the deputy of His Excellency the Governor General, desires the immediate attendance of this honourable house in the chamber of the honourable the Senate.

Accordingly, the house went up to the Senate.

And having returned,

Mr. SPEAKER informed the house that the deputy of His Excellency the Governor General had been pleased to give in His Majesty's name the royal assent to the following bills:

An act to amend the Agricultural Products Cooperative Marketing Act, 1939.

An act respecting the Beauharnois Light, Heat and Power Company.

An act to assist in the alleviation of Unemployment and Agricultural Distress.

An act to amend the Department of National Defence Act.

An act respecting a Department of National War Services.

BUSINESS OF THE HOUSE

Mr. CRERAR moved the adjournment of the house.

He said: On Monday we shall continue with the budget resolutions of the Minister of Finance. If we finish those we should be prepared to take up consideration of senate amendments to various bills, as appear on the order paper, and perhaps second reading of Bill No. 31, to amend the Soldier Settlement Act, and possibly Bill No. 73, respecting treachery. We should also like to get two additional departments into supply, Labour and the Department of the Secretary of State.

Motion agreed to and the house adjourned at 11.43 p.m.

Monday, July 15, 1940

The house met at three o'clock.

STANDING COMMITTEES

RAILWAYS, CANALS AND TELEGRAPH LINES—SECOND REPORT

Second report of the standing committee on railways, canals and telegraph lines.—Mr. Ross (Moose Jaw).

BANKING AND COMMERCE—CHANGE IN PERSONNEL

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved:

That the name of Mr. Ross (Calgary East) be substituted for that of Mr. McIlraith on the standing committee on banking and commerce.

Motion agreed to.

NATIONAL REGISTRATION

TABLING OF REGULATIONS AND LIST OF REGISTRARS AND ASSISTANT REGISTRARS

Hon. J. G. GARDINER (Minister of National War Services): Mr. Speaker, I desire to place on the table of the house a copy of the regulations having to do with national registration.

With the permission of hon. members I should like to make a short statement. First I would call the attention of the house to the fact that, as stated on an earlier occasion, it is our objective to have the registration completed by the end of August. In order to have that done it is necessary that we proceed as rapidly as possible with the preparation of regulations, and the instructions to go with them.

I should like to thank hon. members for having acted so expeditiously in connection with the selection of registrars and assistant registrars for the different constituencies. I believe at the present time returns from only five constituencies are missing, and by this evening we hope to have those five. This afternoon, along with the regulations, I shall place on the table of the house a list of all registrars and assistant registrars in the different constituencies, with the exception of the five already mentioned, concerning which we have not yet received recommendations.

The regulations have been prepared as hurriedly and at the same time as carefully as possible. There may be some slight mistakes which later on we shall have to correct, and those concerned will be notified accordingly should any correction be necessary.

There is one particular matter which, because of the attention it has received in the public press, I should like to call to the notice of

hon. members. I refer to the definition of a "single man". A single man is a person who was unmarried on July 15, 1940. I am afraid that some people have attached more importance to that than is warranted by the regulations. All that it could possibly mean in these regulations is that a man is considered single in this registration. When lists are required for the first call for training he will be reported to the militia department as single. It will be found in a subsequent regulation that after a little time has expired each man who has married will have to report within thirty days and he will then be listed in our records as a married person. There had to be some definition of single man for the purposes of the registration. Any order that is made as to the date for calling up will be made by the Department of National Defence rather than under these regulations.

I think this is all that it is necessary for me to say at the moment. Should obvious mistakes be found I would consider it a favour if hon. members would call my attention to them so that we may have them rectified as soon as possible.

Hon. R. B. HANSON (Leader of the Opposition): I had intended to ask the Minister of National War Services (Mr. Gardiner) when the regulations under the act would be completed and laid on the table, but I understand from the statement which he has just made that that has been done. I had thought at first that what he was tabling referred to the copy of a letter which we received from the office of the chief registrar, dated July 15, and which enclosed a list of the registrars and deputy registrars.

Mr. GARDINER: I notice that the forms have just been distributed. Probably it would have been better to place them in the post office boxes. I am tabling the complete regulations, the order in council under which they were passed, and the list of appointees.

Mr. HANSON (York-Sunbury): So far we have not been supplied with those?

Mr. GARDINER: For the registration only, not having to do with the calling up of men.

Mr. HANSON (York-Sunbury): I had intended to ask the minister to clarify his statement of Friday last with respect to unmarried men. The explanation he has just given is quite clear; we understand that this regulation regarding age applies only to the registration.

I should like to call the attention of the minister to the fact that the public press has contained considerable in the way of interviews, either with the minister or with one of the national defence ministers, containing more information with respect to these matters than we have had so far in the House of Commons. I hold in my hand a press release which appeared in one of the eastern Canadian papers and which contains a wealth of information which, it seems to me, should have been given in the house. I have no doubt the department is proceeding with the work, but having regard to the principle involved I do suggest that this information be given in parliament before it is given to the public press.

Mr. GARDINER: The only suggestion I would make, having reference to the registration, is that if we are going to be able to complete it in the necessary time it may be that some information will have to go to the public before it is given to the house. However, we shall see to it that everything that does go to the public is put in the hands of members just as soon as we can get it there. Time is of the essence of this operation. If it were necessary to hold some action over from Friday night until Monday it might mean a delay of two or three days in getting the job done. I hope hon. members of the house will bear with us if at times we do hand out some information to the public in order that the public may be acquainted with what is going on and help to speed up the operation as much as possible.

Hon. GROTE STIRLING (Yale): I understood the minister to say that we had been given copies of the regulations, but it appears that all we have received is a copy of the letter of July 15.

Mr. GARDINER: If the hon. member has not received them among the forms distributed, they have been tabled, and hon. members will have them this afternoon.

Mr. A. W. NEILL (Comox-Alberni): The minister says that he has laid on the table of the house a copy of the regulations. That is true—one copy; but that will not suffice for all the members of the house. It will be weeks before we shall all be able to see that one copy.

Mr. GARDINER: I indicated to the leader of the opposition a moment ago that copies of the regulations would be placed in the mail boxes of all hon. members before to-night.

Mr. NEILL: Thank you.

RULES OF THE HOUSE

PROCEDURE WITH RESPECT TO QUESTIONS ASKED ON THE ORDERS OF THE DAY

Mr. SPEAKER: The Prime Minister (Mr. Mackenzie King) on Friday last requested that I should give an opinion for the guidance of the house on the practice of questions asked before the orders of the day are called. As I stated on Friday, I had already been considering this matter and as a matter of fact I had discussed the desirability of drawing the attention of the house to the standing orders governing such procedure. In dealing with questions of procedure in this house one must necessarily take into account the historical records and background from which, and upon which, our standing orders were framed, but I do not think it necessary at this time and on this subject to go beyond our own Canadian practice and experience. In this connection I must consider parliamentary usages and customs which have not the force of standing orders but which nevertheless are part and parcel of our parliamentary practice. Standing order 44 contains the provisions relating to questions. Its terms are clear and definite. It reads:

(1) Questions may be placed on the order paper seeking information from the ministers of the crown relating to public affairs; and from other members relating to any bill, motion, or other public matter connected with the business of the house, in which such members may be concerned; but in putting any such question or in replying to the same no argument or opinion is to be offered, nor any facts stated, except so far as may be necessary to explain the same. And in answering any such question the matter to which the same refers shall not be debated.

(2) (a) Any member who requires an oral answer to his question may distinguish it by an asterisk.

(b) If a member does not distinguish his question by an asterisk, the minister to whom the question is addressed hands the answer to the Clerk of the House who causes it to be printed in the official reports of the debates.

I shall not read paragraph 3, as it does not bear upon the subject I am now discussing. If the standing order was strictly interpreted, it is obvious that a very large proportion of the oral questions asked before orders of the day are called would be out of order. In fact, members have not exercised sufficiently their rights under standing order 44, but have too frequently endeavoured to seek information on the orders of the day being called. And these supposedly oral questions are now developing into lengthy prepared statements, which is quite irregular. This standing order 44 must be read in conjunction with standing order 45, which provides for 48 hours notice to place a question on the order paper.

But I refer the house to *Beauchesne's Parliamentay Rules and Forms* (second edition), page 55, where will be found a quotation from Bourinot, which reads as follows:

191. When the orders of the day are called by the Speaker and before they are read by the Clerk Assistant, it is the practice sanctioned by usage but not by any positive rule, for members to make personal explanations or ask questions of the government, in reference to an inaccurate report of their speeches in the official records, or in the newspapers; or in denial of certain charges made against them in the public prints; or in reference to certain remarks which had been misunderstood on a previous occasion, and which they had not before had an opportunity of explaining; or in respect to delay in obtaining returns or to the incompleteness of certain returns brought down under the order of the house; or relative to the state of public business, or other matters of public interest. But these remarks should be brief as they are only tolerated, there being no question before the chair when they are made, and no discussion should be allowed when a minister has replied to a question nor after a member has made his personal explanation. In asking a question, a member must not attack the conduct of the government. If a member wishes to make personal explanations in reference to remarks which have fallen from another member, the latter ought to be in his place.

There is one debatable sentence in that section, the one referring to questions "relative to the state of public business or other matters of public interest."

While I say it is debatable, the words in themselves are, I think, clear but it will sometimes be difficult for the chair to decide what is a "matter of public interest" and sufficiently so, to justify a question. But I would call hon. members' attention to the well known Canadian practice as formulated at page 57 of Beauchesne's Parliamentary Rules and Forms, second edition, which states "a question which could be inserted on the order paper is not allowed on the orders of the day being called". That rule has been departed from during this session, but if it were observed more strictly many of the oral questions would be unnecessary.

I do not refer to the discussion of definite matters of urgent public importance which is provided for under standing order 31 and which is always within the rights of hon. members and may be exercised subject to the provisions of that order.

To sum up: There is only one standing order governing questions seeking information

from ministers of the crown. It is standing order 44, which provides that such questions may be marked with an asterisk if oral answers are required. Forty-eight hours' notice must be given of these questions, which must be laid on the table of the house before six o'clock and printed in the Votes and Proceedings. On the orders of the day being called, members may ask ministers to explain certain matters in accordance with the practice expounded by Bourinot and sanctioned by usage. It is not done under the authority of a standing order, and therefore such questions may be either permitted or disallowed by the Speaker, who must judge each case on its merits. The practice has been followed so long and so regularly in this house that, if not impossible, in my opinion it would be inadvisable to stop it. Yet, having said that, I am of the opinion that the practice has been used more freely this year than in other sessions, probably owing to the members' anxiety about the war situation. It seems to me manifestly unfair to compel ministers to answer questions on important matters without an opportunity of consulting their chief officers; and it would be arbitrary to deprive private members of the privilege of putting certain questions of immediate urgency on the orders of the day being called. The principle on which the practice has been tolerated in past years should be respected, that is, the reading of long series of questions elaborately prepared is not to be allowed on the orders of the day being called.

Hon. members must confine themselves to the questions they desire to put. They may not enter into an argument upon asking a question. They cannot add any remarks upon it after a question has been answered. A question the answer to which involves an expression of opinion cannot be put.

A member in putting a question cannot state an opinion, and he must confine his observations to those which are absolutely necessary to make the question intelligible.

A certain latitude will be given in war time, but no question leading to a discussion or seeking information as to the policy of the government or its future intentions is permissible from the floor of the house; it must be asked in accordance with standing order 44.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

POTATO IMPORTS—LARD EXPORTS

Mr. HATFIELD:

1. How many bushels of American potatoes entered Canada free of duty during 1939, and on how many bushels was duty paid?

2. How many pounds of Canadian lard were exported to Great Britain during 1936, 1937, 1938 and 1939, and what was the average price per pound in the respective years stated?

Mr. MacKINNON (Edmonton West):

1. Potatoes, seed:

Free	31,125 bushels
Dutiable	nil

Potatoes, other than seed:

Free	958,937 bushels
Dutiable	98,185 bushels

2. Exports of Canadian lard to United Kingdom, calendar years 1936 to 1939:

Calendar year	Pounds	Value
1936	29,099,400	$3,389,759
1937	29,639,300	3,707,518
1938	16,605,600	1,632,571
1939	7,160,400	519,796

MUNITIONS AND SUPPLY—METROPOLITAN ELECTRIC COMPANY CONTRACT

Mr. ROY:

1. Who signed the tender with respect to the $90,000 contract awarded to the Metropolitan Electric Company, of Quebec?

2. Who signed the contract on behalf of the said company, and when?

3. Were tenders received, and, if so, from whom, and at what price?

Mr. HOWE:

1. L. W. Mercier.

2. O. J. Holder, June 22nd, 1940.

3. No.

DOMINION-PROVINCIAL RELATIONS COMMISSION —PERSONNEL AND COST

Mr. HAZEN:

1. What is the total cost, including printing, of the royal commission on dominion-provincial relations to date?

2. What were the names of the counsel to the said commission, and how much were they paid?

3. What were the names of the commissioners, how much were they paid in salary, and how much for expenses?

4. What other expenses were incurred by the said commission?

Mr. ILSLEY:

1. $533,600.02.

2.	Fees		Travelling expenses	
Louis St. Laurent	$12,145	....	$1,136 62	$13,281 62
John McG. Stewart	18,900	....	2,315 27	21,215 27
				$34,496 89

3.	Salary	Living allowance	Travelling expenses	
Hon. N. W. Rowell	....	$2,800 00	$1,130 22	$ 3,930 22
Joseph Sirois	$16,125	....	5,262 96	21,387 96
H. F. Angus	16,900	....	7,095 41	23,995 41
R. A. MacKay	19,450	1,009 72	5,456 52	25,916 24
J. W. Dafoe	....	....	4,025 52	4,025 52
				$79,255 35

4. Other expenses (included in total of No. 1):

Communication services	$ 4,304 72	
Miscellaneous	18,631 41	
Salaries	251,779 71	
Professional services	11,132 04	
Rents	5,452 56	
Printing and stationery	76,757 84	
Freight, express, etc.	691 25	
Travelling expenses	37,936 43	
Living allowances	13,161 82	
		$419,847 78
		$533.600 02

PRODUCTION OF SUPERPHOSPHATE

Mr. HATFIELD:

1. What was the total tonnage of potash imported from Germany for the years 1935 to 1939 inclusive, and what was the invoice cost of same?

2. What was the total tonnage of sulphate of ammonia imported into Canada during 1939, from what countries and at what price?

3. What was the amount produced in Canada and the amount of Canadian production that was exported to the United States of America, and at what price?

4. What was the amount of superphosphate produced in Canada in 1939, by what companies, and what was the average selling price per ton to Canadian manufacturers?

5. What was the total amount imported, from what countries and at what invoice prices?

Mr. MacKINNON (Edmonton West):

1. Imports of potash from Germany calendar years 1935 to 1939:—

Calendar year	Potash, muriate of, crude cwt.	Value	Potash, sulphate of, crude cwt.	Value
1935	113,301	$ 89,140	17,301	$ 18,085
1936	199,446	184,987	7,694	8,989
1937	292,939	330,449	87,428	111,529
1938	193,422	184,854	54,961	64,667
1939	51,238	57,349	36,003	42,441

2. Imports, by countries, of sulphate of ammonia, calendar year 1939:—

Country	Cwt.	Value
United States	20,540	$ 35,266
Belgium	43,800	59,588
Totals	64,340	$ 94,854

3. Production of sulphate of ammonia, calendar year 1939—129,865 tons valued at $3,112,977.

Exports to the United States of sulphate of ammonia during the calendar year 1939, were 38,782 tons valued at $904,489.

4. Under the Statistics Act, information concerning the operations of individual firms may not be disclosed. There are only two companies producing "superphosphate", therefore, figures are not published. The names of these companies were:

Canadian Industries Limited, P.O. Box 10, Montreal, Que.

Consolidated Mining and Smelting Co. Ltd., Trail, B.C.

5. Imports, by countries, of superphosphate or acid phosphate of lime, during the calendar year 1939:—

Country	Cwt.	Value
United States	1,656,947	$771,471
Belgium	109,400	71,351
French Africa	112	31
Netherlands	316,060	136,199
Totals	2,082,519	$979,052

BONAVENTURE COUNTY, QUE., PUBLIC WORKS

Mr. ROY:

1. Has the dominion government carried out any works at Alverne, St-Jean-de-Brébœuf, Mission St-Louis, St-Alphonse, St-Elzéar and St-Jogues, Bonaventure county, during the months of October, November and December, 1939?
2. If so, by whom were such works requested?
3. What is the nature of the undertakings?
4. What department or branch paid the cost, and under what appropriations?
5. What amount was spent at each of the above-mentioned places?

Mr. CARDIN:

1. Yes.
2. P. E. Côté, M.P.
3. Road improvements.
4. (a) Public Works Department.
   (b) Vote 522 S.S.E. 1939-40—Development of tourist highways.
5. Alverne, $774.90; St.-Jean-de-Brébœuf, $578.32; Mission St.-Louis, $849.90; St.-Alphonse, $750.20; St.-Elzéar, $1,395.90; St.-Jogues, $805.80.

PAN-AMERICAN DEFENCE CONFERENCE

Mr. CHURCH:

1. Has the government received from the government of the United States or others an invitation to attend a pan-American defence conference at Havana, Cuba, to be held soon?
2. Will all correspondence be tabled?
3. Will the British government be consulted before any action is taken?

Mr. MACKENZIE KING:

1. If the question has reference to the meeting of the foreign ministers of the American republics which is opening in Havana, Cuba, on the 20th of July, the answer is, no.

2. and 3. Answered by No. 1.

*NATIONAL DEFENCE—PORT OF GASPE

Mr. ROY:

1. Does the government intend to equip and utilize the port of Gaspé for the defence of Canada?
2. If so, when will the work thereon be started?

Mr. RALSTON: Mr. Speaker, I would ask that this question be dropped. In the first place it asks for a declaration in advance of government policy, and in the second place it asks for what would probably be regarded as information with regard to the defence of Canada which should not be divulged.

BAIE-DES-SABLES, QUE., WHARF

Mr. ROY:

1. What amount was voted in 1939 for the wharf at Baie-des-Sables?
2. Has the contract for the project been awarded?
3. If so, to whom, and at what price?
4. Has the work been carried out, and, if not, why?
5. Did the government pay any money to the contractor for wood, stone, etc.?
6. If so, for what reason, and upon whose recommendation?

Mr. CARDIN:

1. $25,000.
2. Yes.
3. (a) Bertrand & Brother, L'Orignal, Ont.
   (b) Approximately $76,832.80, unit prices.
4. (a) No.
   (b) Contract being closed out due to war conditions.
5. Yes, $14,332.50 for lumber.
6. Terms of contract authorize the payment of 50 per cent of actual cost of materials delivered.

UNEMPLOYMENT RELIEF—FEDERAL CONTRIBUTIONS TO QUEBEC PROVINCE

Mr. ROY:

1. How much money was contributed monthly by the dominion government to the province of Quebec for unemployment relief from March, 1938, to March, 1939, and from April, 1939, to April, 1940?

Mr. McLARTY: The following amounts have been paid to the province of Quebec for direct relief distributed during each of the months indicated. The payments shown for the months of April, 1939, to March, 1940, inclusive, do not represent the ultimate dominion contribution as complete accounts have not to date been received from the province in respect to any month during that period.

1938—April	$	400,306 00
May		398,489 00
June		444,906 00
July		394,368 00
August		420,546 00
September		442,473 00
October		492,252 00
November		434,848 00
December		434,373 00
1939—January		439,840 00
February		459,880 00
March		37,719 00
		$4,800,000 00

1939—April	$	318,090 78
May		320,415 78
June		273,746 64
July		273,434 39
August		239,386 31
September		221,052 44
October		254,602 31
November		249,199 31
December		364,938 53
1940—January		385,785 13
February		380,755 97
March		397,236 18
		$3,678,643 77

The expenditures set forth for the period April, 1939, to March, 1940, inclusive, represent 40 per cent of the claims made by the province to date. The agreement in effect during the period April, 1938, to March, 1939, provided for a dominion contribution of 30 per cent of the total expenditures incurred by the province and its municipalities, or $4,800,000 for the twelve-month period, whichever was the lesser.

QUESTIONS PASSED AS ORDERS FOR RETURNS

GORDON ROSS

Mr. ROY:

1. Is Mr. Gordon Ross, of Quebec, an employee of the government?
2. If so, what is his remuneration?
3. Does he receive any allowance for expenses?
4. What monthly payments were made to him since he entered the service?

GASPÉ PETROLEUM DEPOSITS

Mr. ROY:

1. Has the government taken action regarding the utilization, as part of Canada's war effort, of the petroleum deposits of Gaspé?
2. If so, what action has been taken?
3. Who has been entrusted with such duty?

SALT FISH BOARD—BOUNTIES

Mr. ROY:

1. Has the government directly or through the medium of the salt fish board distributed bounties to the fishermen of Gaspé, Bonaventure and Magdalen islands, during the months of September, October and November, 1939?
2. If so, what amounts and to whom have these bounties been paid in the parishes of St-Simeon, St. Charles de Caplan, St. Bonaventure, New-Carlisle, Paspebiac, Hopetown, Port-Daniel and Gascons, county of Bonaventure; Newport, Ste-Adelaide, Grande-Rivière, Ste-Therese, Anse-du-Cap (cape-Cove), Anse-a-Beaufils, Perce, Barachois, Belle-Anse, St. Georges, Douglastown, Cap-des-Rosiers, Anse-au-Griffon, Rivière-au-Renard, St. Maurice, Cloridorme, Grande-Vallee and Grande-Madeleine, in the county of Gaspé; Havre-Aubert, Etang-du-Nord, Havre-aux-Maisons, Grande-Entree, Grosse-Isle, in Magdalen islands?
3. What officials in each county were entrusted with the duty of distributing bounties, and what was the nature of the distribution?
4. In each parish what merchants have been favoured, what is the total amount paid under this heading, (a) in the county of Bonaventure; (b) in the county of Gaspé; (c) in the Magdalen islands?
5. What amounts have been paid by the salt fish board to the fishermen of Gaspé as bonus, during the first three months of 1940?

NATIONAL DEFENCE—APPOINTMENT OF CHAPLAINS

Mr. CHURCH:

1. What are the present regulations of (a) the Department of National Defence, (b) the Department of National Defence for Air, (c) the naval services, for the appointment of chaplains in this war, and what are the existing rules and regulations in relation to the same?
2. Will a copy of them or any orders in council be tabled?
3. Will all letters and communications on the subject and of the revision of these regulations be tabled, and information as to who authorized and recommended these regulations to the government?
4. Were any letters or resolutions filed with the government or any officer thereof, asking for a revision?

MOTIONS FOR PAPERS

WAINWRIGHT NATIONAL PARK—SLAUGHTER OF ANIMALS

Mr. HAZEN:

For a copy of the following documents concerning the slaughter of animals at national park at Wainwright, Alberta:

1. Report that any of the animals so slaughtered were infected with tuberculosis, showing when, by and to whom such report was made;
2. Statement showing numbers of each species of said animals reported to be infected with tuberculosis;
3. The order for the slaughter of said animals, showing the date, by whom made, and to whom directed;
4. The authority for the sale of the meat of said animals for food, showing when, by and to whom it was given.

BAIE DES SABLES, QUE., WHARF

Mr. ROY:

For a copy of all correspondence, letters, telegrams and other documents exchanged between A. J. Lapointe or any other person, and the Department of Public Works relative to the wharf at Baie des Sables project in 1939.

CANADIAN ACTIVE SERVICE FORCE

GENERAL MCNAUGHTON PROMOTED IN RANK AND PLACED IN COMMAND OF NEW ARMY CORPS

On the orders of the day:

Hon. J. L. RALSTON (Minister of National Defence): Mr. Speaker, I should like to put on *Hansard*, if the house will permit me, a statement with regard to General McNaughton's appointment as lieutenant-general. The announcement was made as was indicated by my colleague the Minister of National War Services (Mr. Gardiner), but some of these things are matters of concurrent announcement. I think this matter is of sufficient importance, having regard to the choice which has been made of a Canadian for this responsible post, that I should place on *Hansard* this statement:

With the consent and approval of the government of Canada, Major-General A. G. L. McNaughton, general officer commanding the first Canadian division, has been chosen to command a new corps which the war office has set up.

Included in this corps will be certain British formations and also the first Canadian division and its ancillary units.

General McNaughton will have the rank of lieutenant-general.

I believe that all Canadians will take keen satisfaction in this recognition of the very distinguished services of General McNaughton and of the outstanding ability which he shows as a military commander.

PRIVATE BILLS

CONSIDERED IN COMMITTEE—THIRD READING

Bill No. 36, for the relief of Elizabeth Pauline Tingley Kidd.—Mr. Hazen.

Bill No. 37, for the relief of Nancy Patricia Lytle Rowat.—Mr. Hill.

Bill No. 38, for the relief of Henry Carl Mayhew.—Mr. McIlraith.

Bill No. 39, for the relief of Laura Lucrezia Green Stinson.—Mr. McIlraith.

Bill No. 40, for the relief of Irene Nellie Kon Simpson.—Mr. Hill.

Bill No. 45, for the relief of Elma Jane Harris Aspell.—Mr. Hazen.

Bill No. 46, for the relief of Edith Leanora Holland Bonet.—Mr. Bercovitch.

Bill No. 47, for the relief of Dorothy Lavinia Worsley Baker.—Mr. Casselman (Grenville-Dundas).

Bill No. 48, for the relief of Eugene Belanger.—Mr. McIlraith.

Bill No. 49, for the relief of Rebecca Cohen.—Mr. McIlraith.

Bill No. 52, for the relief of Ethel Cahan Naihouse.—Mr. Bercovitch.

Bill No. 53, for the relief of John Roy Fumerton.—Mr. Bercovitch.

Bill No. 54, for the relief of Paul Edouard Tardif.—Mr. McIlraith.

Bill No. 55, for the relief of Pearl Aizanman Morris.—Mr. Bercovitch.

Bill No. 56, for the relief of Molly Goldfarb Goldberg.—Mr. Tomlinson.

Bill No. 57, for the relief of Muriel Agnes Martin Beech.—Mr. Hazen.

Bill No. 58 for the relief of Alfred Reinhold Roller.—Mr. McIlraith.

Bill No. 59 for the relief of Sarah Kerzner Spilberg.—Mr. Factor.

Bill No. 60 for the relief of Christina Smith Dunlop Andrique.—Mr. Edwards.

Bill No. 61 for the relief of Anna Shepherd.—Mr. Abbott.

Bill No. 63 for the relief of Margaret Somerville Sickinger.—Mr. Hill.

Bill No. 64 for the relief of Romain Cleophas Moreau.—Mr. Macdonald (Brantford City).

Bill No. 65 for the relief of Dorothy Florence Donn Martin.—Mr. Graydon.

Bill No. 66 for the relief of Phoebe Doris Edge Pott.—Mr. Graydon.

Bill No. 67 for the relief of Filomena Grego Sauro.—Mr. Bercovitch.

Bill No. 68 for the relief of Kathleen Irene Mae Stephens Morrissey.—Mr. Macdonald (Brantford City).

Bill No. 69 for the relief of Dorothea Frances Poyser MacDermid.—Mr. Macdonald (Brantford City).

Bill No. 70 for the relief of Sheila Alice Dolly Young Dodge.—Mr. Factor.

Bill No. 71 for the relief of Margaret Louise MacDonald Russell.—Mr. Hill.

Bill No. 72 for the relief of Edward James Holt.—Mr. Factor.

On division.

Mr. E. G. HANSELL (Macleod): Before these bills are read the third time, may I just say that some of us are a little alarmed at the rate at which divorce bills go through, not only in the House of Commons but also in the divorce committee. I held my watch out and discovered that these thirty divorce bills went through the second reading in committee in less than twelve minutes. Of course, we all recognize that in the passage of these bills, since they are all the same, it becomes a matter of routine; and it may be that the divorce committee in the other place regard these bills similarly as being matters of routine.

We have seen lately in the public press references to one case in which there was perjury. If all such cases were properly investigated we might discover similar instances of perjury, and collusion, too, perhaps. I suggest that when these bills are before the committee a little more attention be paid to the cross-examination of witnesses.

I am not entirely opposed to divorce on the proper grounds. What I am particularly concerned about is the sanctity of the marriage law and the sanctity of the home. Making divorce as easy as it seems to be made by what the hon. member for Témiscouata (Mr. Pouliot) referred to the other night as done by keyhole peepers is breaking down the sanctity of the marriage law and the sanctity of the home. The other night when the hon. member for Témiscouata made some observations on these divorce bills his speech was regarded in a somewhat jocular fashion. But there is tremendous truth in what the hon. member said. If there is one thing that legislative bodies in Canada are responsible for perhaps more than any other, it is upholding the moral laws of this country.

I suppose there are a good many reasons why two of the provinces do not see fit to send their divorce cases to the courts. I

believe that in the conduct of divorce cases the judiciary are a little more careful in cross-examination than the divorce committee in another place. I attended a sitting of that divorce committee on one occasion, just as a little experience, and I was surprised to see five or six cases go through in a couple of hours. I felt that the committee regarded it more or less as routine. I raise my voice in objection to the routine manner in which these divorce cases go through.

There are other matters that one might mention concerning the present divorce bills. There is a clause in these bills giving the right to remarry. Personally I think that clause is not needed; the fact that the marriage is dissolved seems to me to give the parties the right to remarry.

Mr. HOMUTH: Not in all churches.

Mr. HANSELL: I am talking about the bill itself. I am not certain how the bill reads; perhaps some hon. member can inform me whether that clause gives both parties the right to remarry. I fancy it is the one who is suing to whom it is given. Well, that is the party who should have the right to remarry. Why should he, or she, have to be given permission by law to be remarried, while the other, who is the guilty party, can get married anyway? It seems to me somewhat foolish.

Then there is the matter that the hon. member for Yorkton (Mr. Castleden) was concerned about and brought up the other day, in regard to the right to remarry. I am not going into the details, but there does not seem to be any examination in the divorce committee as to the health qualifications of these people to remarry. That is very important. We want to build up a sturdy race in Canada, and more attention should be given to that aspect of the evidence.

The house can take these remarks for what they are worth, but I believe I am voicing the opinion of a great number of hon. members. These are things that we do not like to discuss openly; nevertheless they are very important.

Mr. A. G. SLAGHT (Parry Sound): I desire to express myself as in accord in part with the hon. member who last addressed the chair (Mr. Hansell). I suggest that this outmoded farce in which against our will we are made the principal actors year after year ought to be ended. I cannot conceive that there is a single member of the House of Commons who would not deprecate the farce that has been enacted in the number of minutes that the hon. gentleman has recounted.

I begrudge twelve minutes of the time of this house in war time spent upon such a stupid, farcical, hypocritical task. If any province in our dominion feels that divorce should not be granted by law, it is entitled to have its way if we abolish this practice. If we tell ourselves that we are perpetrating this practice because one or two provinces are not prepared to have divorces submitted to the courts, let those provinces go the whole way and see that no divorces are submitted to their courts. But I do appeal in this matter to the government and to the leader of the opposition and the leaders of the other parties; some means should be devised to end this practice.

Mr. DANIEL McIVOR (Fort William): It is a well-known fact that the bulwark of our nation is the Christian home. Without it a nation will fall to pieces. A little while ago we had a certain type of divorce law before this house, and it was given the six months' hoist. This whole question should be taken into consideration, not only divorce, but marriage, and not only the health of human beings who seek to remarry after divorce should be considered but the question of marriage on unduly short notice. To me this is one of the biggest questions that our country has to face. To me it is not a question which city has or will have the right to control the most divorcees, whether it is Toronto the good, Montreal the religious, Fort William and Port Arthur the progressive, or Vancouver the hopeful. I am not particular, but I say that our government should take into consideration this whole question of divorce and of marriage as well, because they are linked indissolubly together.

Mr. T. C. DOUGLAS (Weyburn): I am sure there is hardly an hon. member of this house whose feelings on this subject are not very much those that have been expressed this afternoon with reference to the passing year after year of these divorce bills. It is to be hoped that the Prime Minister (Mr. Mackenzie King) either through some branch of the government or through a committee of this house set up for the purpose, will reconsider the whole question of the *modus operandi* of handling these cases.

Secondly, I appeal to the Minister of Pensions and National Health (Mr. Mackenzie). I am not a member of the committee that investigated these cases, but I am told by those who are members that there have been divorces granted in which the evidence was that one of the parties had contracted a social disease. Surely we are not turning loose on an unsuspecting public,

with the right to remarry, people who have contracted social disease and have been recognized by this house as having contracted such disease. That surely is something which should engage the attention of the minister of national health. People who are granted divorce because they have contracted venereal disease ought at least to be dealt with in such a manner that the public safety will not be endangered.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, I should like to say one word on this matter. I agree with the hon. member that it does seem a waste of time to sit here and simply give formal assent to bills of the category before us coming from the other house. I would point out, however, that it is not quite as bad as if we had to consider the bills in the first instance, and had not adopted the practice of leaving the investigation of these matters to a committee in the other house.

Periodically we have heard discussions similar to that which has taken place to-day. Only a few years ago such discussion did result in some progress being made, in that additional courts were established in the provinces to deal with divorce. The government of the day hoped, I believe, as hon. members generally hoped, that all the provinces would follow that example. I believe there remains only one province in which divorce courts are not to be found, and perhaps the discussion this afternoon may serve in some measure to advance the day when divorce courts will be set up in the remaining province.

I believe all I can say at the moment is that it should be remembered the obligation of dealing with divorce is placed on parliament by the British North America Act. Without taking pretty radical steps we cannot very well divest ourselves of that power and authority. Parliament has decided that the best way in which to meet the obligation is to have a special committee in one of the houses, and to deal in the main with all such matters there.

I cannot understand why there should be any reflection upon the proceedings of that committee. Possibly some hon. members know more about it than I do, but I would hardly think that any reference to collusion in connection with proceedings of a committee in another house would be in place here. All I can say at the moment is that naturally the government will give consideration to the discussion which has taken place this afternoon. Whether or not at this session it is going to be possible to adopt a different method, I cannot say. I imagine we shall have to put up with the present practice for at least the balance of the present session. But I should not like the impression to go abroad that these are bills of a nature which parliament can refuse to entertain, so long as the obligation to legislate with respect to divorce is placed upon the federal parliament under the constitution.

I do say it is better to have consideration of these matters in the first instance in another house, where possibly they have more time for such matters than we have here, and for us to perform our part either of refusing altogether to agree to what has been done elsewhere, or of accepting what has been done in the more or less formal manner in which thus far we have been obliged to accept it.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, there are one or two observations I should like to make. I did not quite hear the allusion of the hon. member for Macleod (Mr. Hansell) who first raised the matter for discussion. However if I understood him correctly he said that a situation had developed wherein divorce bills were allowed to pass through the senate when it was apparent that there had been collusion. If that is what the hon. member said, then we ought to take exception to that statement. At all events some reference was made by him to collusion, and if I did not hear correctly, I am sorry.

Mr. HANSELL: The hon. member has not quoted me correctly. I was referring to the necessity for examination.

Mr. HANSON (York-Sunbury): I heard that.

Mr. HANSELL: I was referring to a specific court case, and was showing how by cross-examination we may be able to prevent such things as collusion.

Mr. HANSON (York-Sunbury): Of course there is ample opportunity for cross-examination. The point I make is this. I know the gentleman who is chairman of the divorce committee of the senate. He is a fine and upright man who would not wink at collusion or anything of the kind while that committee sits under his chairmanship. I should not like to have anything said in this chamber which would cast any reflection upon that gentleman, who sits in the other house. I believe that much against his will he is performing an important public duty which under our constitution is placed upon his shoulders, and I should not like any reflection to go out from this house respecting the way in which justice—because after all it is justice—is administered in another place.

OTTAWA ELECTRIC COMPANY AND OTTAWA GAS COMPANY

Mr. G. J. McILRAITH (Ottawa West) moved that the house go into committee to consider Bill No. 34, respecting the Ottawa Electric Company and the Ottawa Gas Company.

Motion agreed to, bill considered in committee, reported, read the third time and passed.

UNEMPLOYMENT INSURANCE

FUND TO BE ADMINISTERED BY COMMISSION ASSISTED BY ADVISORY COMMITTEE—PROVISION FOR EMPLOYMENT SERVICE

Hon. N. A. McLARTY (Minister of Labour) moved that the house go into committee at the next sitting to consider the following resolution:

That it is expedient to introduce a bill to enact a scheme of national unemployment insurance to be administered by a commission appointed by the governor in council, and to create an unemployment insurance fund from contributions from specified persons and from moneys provided by parliament, for the payment of insurance benefits, to be administered by the commission assisted by an advisory committee; with provision also for the organization and maintenance of an employment service administered by the commission with the advice and assistance of a national employment committee; also with power to the governor in council to establish committees and boards subsidiary to the commission and to enter into agreements with the governments of other countries for reciprocal arrangements relating to unemployment insurance; with provision for the remuneration of the commissioners and the appointment and remuneration of such officers, clerks and employees as may be required for the due carrying out of the provisions of the act and for the costs of administration.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Motion agreed to.

BRITISH CHILDREN

POSITION OF BRITISH GOVERNMENT WITH RESPECT TO SPONSORED PROGRAMME

On the orders of the day:

Hon. GROTE STIRLING (Yale): The leader of the opposition (Mr. Hanson) has been called out for a moment, but he asked me to ask the following question of the Minister of Mines and Resources (Mr. Crerar). Will the minister make a clarifying statement on the position of the British government with respect to the sponsored programme for sending British children to Canada? Press reports indicate that the British government has greatly modified its earlier evacuation programme, and this has led to confusion in Canada. Second, has this government taken any action in the meanwhile to curtail the evacuation of British or other children to Canada under private auspices? What is the true present position in respect of all these matters?

Hon. T. A. CRERAR (Minister of Mines and Resources): Mr. Speaker, I am not in position to make a clarifying statement on the position of the British government with respect to the matter referred to in the question; indeed it would be presumptuous on my part to do so. With regard to the second part of the question, I may say that up to the present time, as I have said in the house before, no obstacles have been placed in the way of the movement of children or other British people to Canada under private auspices or under arrangements which they may be able to make themselves. Instructions to that effect were sent many weeks ago to our immigration office in London. It may perhaps be necessary for us to examine more closely than we have in the past the movement of certain groups of children, such as school children, from a private school in Great Britain to a private school in Canada. Within the last few weeks there have been a few instances in which such movements have taken place apparently under the misapprehension that funds were available for the maintenance of the children in Canada. The immigration officers were under the impression that this arrangement had been made when as a matter of fact it was not completed. I think the house will agree that it is not desirable that children in a private school in Great Britain should move to Canada unless some arrangement has been made for their maintenance here and the payment of their tuition. This is all I can usefully say on the question.

WAYS AND MEANS

SPECIAL WAR REVENUE ACT

The house in committee of ways and means, Mr. Macdonald (Brantford City) in the chair.

7. That schedule I to the said act be amended by repealing section 1 thereof and substituting therefor the following:

"1. (a) Automobile adapted or adaptable for passenger use, with seating capacity for not more than ten persons each, valued at $700 or less, 10 per cent.

Over $700 but not more than $900, 10 per cent on $700 plus 20 per cent on the amount in excess of $700.

Over $900 but not more than $1,200, 10 per cent on $700 plus 20 per cent on $200 plus 40 per cent on the amount in excess of $900.

Over $1,200, 10 per cent on $700 plus 20 per cent on $200 plus 40 per cent on $300 plus 80 per cent on the amount in excess of $1,200.

(b) Automobiles adapted or adaptable for passenger use with seating capacity for more than ten persons, 5 per cent.

Provided that the tax collected under paragraph (b) above shall in no case exceed $250 per automobile;

Provided further that the tax on automobiles shall apply on the total price charged for such automobiles, which price shall include all charges for accessories, optional equipment, servicing, financing, warranty or any other charge contracted for at time of sale, whether charged for separately or not, but not to include heaters or radios;

Provided further that the tax on automobiles shall apply to any such vehicles in transit to dealers or others;

Provided that if a new and unused automobile is on the twenty-fifth day of June, one thousand nine hundred and forty, in the hands of a dealer and not delivered to another purchaser the tax shall be paid by such dealer when such automobile is delivered.

Provided further that the tax shall not apply to automobiles imported:

(i) Under customs tariff items 702, 706, 707 and 708:

(ii) By a bona fide settler on a first arrival;

(iii) By a beneficiary resident in Canada, under the terms of a will of a person dying in a foreign country."

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): An amendment has been moved to this resolution which reads:

That paragraph 7 of the resolution proposing amendments to the Special War Revenue Act, notice of which was given on June 24, 1940, be amended by striking out the fourth proviso reading as follows:

"Provided that if a new and unused automobile is on the twenty-fifth day of June, one thousand nine hundred and forty, in the hands of a dealer and not delivered to another purchaser the tax shall be paid by such dealer when such automobile is delivered."

and substituting therefor the following:

"Provided that in the case of every new and unused automobile in the possession of an automobile dealer on the twenty-fifth day of June, one thousand nine hundred and forty there shall be imposed, levied and collected an excise tax of ten per cent based, in the case of an imported automobile, on the duty paid value and, in the case of an automobile manufactured in Canada, on the sale price of the manufacturer to the dealer payable at the time of the delivery by such dealer of such new and unused automobile to a purchaser: And provided further that the minister shall have power to define for the purpose of this section what constitutes a new and unused automobile: And provided further that a refund or deduction may be granted to an automobile dealer liable to pay excise tax under this provision in respect of an automobile, of the amount of excise tax previously paid in respect of such automobile under the provisions of this part."

Shall the amendment carry?

Mr. MacNICOL: I believe the minister was to give us some information in connection with automobiles in transit.

Hon. J. L. ILSLEY (Minister of Finance): The other night the hon. gentleman asked whether a similar amendment should not be introduced to cover automobiles in transit. If I remember correctly, I told him that such automobiles were subject to taxation because they were considered as being in the hands of the manufacturer. That is, if they were shipped with draft attached to bill of lading the result would be that the manufacturer would be retaining control over the automobile until the draft was paid. Perhaps I could sum up the situation in regard to this tax on automobiles by citing a few cases. I am not sure that I can make it clear except by answering questions, but I shall try.

The principle of existing contracts entitling a purchaser to relief has not been admitted as a general rule in taxation legislation. What I mean is that if a person has made a contract for the purchase of an article and a tax is later placed on that article, the tax has to be paid. There is no exemption for existing contracts with regard to automobiles in transit from the factory to the dealer where a draft is attached to the bill of lading. That automobile is subject to the tax just as though it were in the manufacturer's hands. For taxation purposes, that automobile is in the same position as though it were on the floor of the factory.

A car purchased f.o.b. the plant and in the possession of a common carrier on June 25, the date the tax came into effect, would be treated as a car in the hands of a dealer and would be subject to the relief provided by the amendment now before the committee. Such cars are subject to a flat ten per cent tax instead of the more onerous tax provided for in the budget. A car purchased f.o.b. the plant and being driven away by a dealer or an agent before or on June 25 would be considered as a car in the hands of a dealer and be subject to the ten per cent tax provided for by this amendment. A car purchased f.o.b. the plant and being driven away by the owner or the customer before or on June 25 would be considered as a car having passed into consumption and not be subject to the tax imposed by the budget, either in its original or modified form.

Mr. HANSON (York-Sunbury): It seems to me the government is making a rather fine distinction. Should not the fact that a car has been sold be the basis upon which the tax should be imposed, no matter who drives it away? If the government is satisfied as to the bona fides of an order placed before

June 25, should not there be an allowance? Who drives it away should not mean anything so far as the application of the tax is concerned. The question should be: Was the car sold prior to the date in question? I suggest that this is the crux of the whole matter.

Mr. ILSLEY: The test under the sales tax provisions of the Special War Revenue Act is the delivery to the purchaser. It saves inquiry into circumstances which may not be susceptible of proof or concerning which there might be a great deal of uncertainty. But when there is something definite that you can go on—

Mr. HANSON (York-Sunbury): Physical delivery.

Mr. ILSLEY: Physical delivery is the test, and that is the test that is applied here. As to cars in transit, the question was very properly raised by the hon. gentleman the other evening as to when there is a delivery. When a common carrier intervenes, delivery is regarded as having taken place at the time the car left the plant where it was sold f.o.b., the manufacturer not retaining control or possession of the car by attaching a draft to the bill of lading. But where that is done the car is in his control until the draft is paid, and delivery is regarded as having taken place when the car arrives at its destination. There is that distinction. I remember explaining the distinction in the house four years ago when the sales tax was increased from six to eight per cent, and we had a similar discussion on that occasion, although the change then being made was not on all fours with the change now being made. We try to put our finger on that point—the moment of time when the physical delivery takes place, and when the common carrier comes in we make the distinction that I have outlined. It is a distinction well recognized in the law of sales.

Mr. HANSON (York-Sunbury): Yes, of course.

Mr. HOMUTH: Throughout these resolutions we have been continually breaking contractual obligations. We have done it in connection with insurance, annuities and so forth. The minister has said that if you have a contract for a car, and the car is shipped with draft attached, you are liable to the tax. But a car is shipped with draft attached because perhaps of the financial condition of the agent who is purchasing the car. The manufacturer will not deliver the car to him because of his financial position. And the tax is levied. Someone has to pay it, and the purchaser has to do so. In many of the smaller villages the local dealer may not be in a position to lay out large sums of money to place several cars on the floor of his garage or showroom; therefore he orders the car from the company to sell to his local customer. The car is shipped with draft attached because of the dealer's financial position, and the customer has to pay the tax. They could ship the car f.o.b. plant, and if the dealer's financial circumstances are known to be good, the manufacturer will do that. F.o.b. simply means that the purchaser pays the freight from the plant. The man who buys a car that has been shipped that way will not have to pay this excess tax, simply because the dealer from whom he purchases it is in a better financial position to handle the car.

Again, a car may be driven away from the plant not paid for. The manufacturer may have sufficient confidence in the dealer through whom the car is purchased or in the purchaser himself that the car is allowed to leave the plant without being paid for. That car would not be subject to the tax, but a person who was in straitened circumstances would have to pay the tax.

We are perhaps levying the tax on those least able to pay. It strikes me as unfair to the purchaser who buys his car from an agent who is not as financially sound as other agents. I can hardly see the fairness of it at all.

Mr. DIEFENBAKER: I would ask the minister a concrete question as to the application of this tax. Suppose an enforceable agreement is entered into with the purchaser for the delivery of a named car, and that a portion of the purchase price has been paid, delivery to be made after the 25th of June. Upon whom does the tax fall? The minister will understand what I mean. There is an enforceable contract between the parties for a given car, properly designated and properly described, delivery alone being postponed.

Mr. ILSLEY: The hon. gentleman is asking me to interpret a contract. I should not like to be held to my opinion but it would be that the purchaser would be entitled to delivery of the car free of tax if he had contracted to buy the car at a fixed price.

Mr. HANSON (York-Sunbury): The dealer would be out the tax?

Mr. ILSLEY: I should think so.

Mr. HANSON (York-Sunbury): There is in the law of sales—it is a long time since I studied the law of sales—the question of actual delivery and of constructive delivery.

Mr. ILSLEY: Yes, that is right.

Mr. HANSON (York-Sunbury): And, as I take it, the department is hewing very close

to the line. They are taking the principle of actual delivery and designating it a physical delivery. No allowance is made for any question of constructive delivery.

Mr. ILSLEY: I do not remember just what "constructive delivery" is.

Mr. HANSON (York-Sunbury): I won't take the time of the committee to give my hon. friend a lecture on constructive delivery. I dare say he remembers as much about it as I do.

Mr. HOMUTH: There is still a question in my mind as to whether this thing is right. When a car is shipped, draft attached, the reason in most cases is that the shipper is doubtful of the credit of the man to whom the car is shipped. That is true in every other line of business; it is why shipment is made with draft attached. In the other case it is shipped f.o.b plant. There is no assurance that the car has been paid for because it is so shipped; there is no assurance that it is going to be paid a month or two months hence. It may be a matter of a contra account; we do not know. But the minister differentiates here between draft attached and f.o.b plant. What assurance has the department that the car has been paid for, or who has taken delivery, or what delivery means?

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): Shall the proviso as amended carry?

Mr. HOMUTH: Wait a minute. Surely you are not going to pass this without at least some explanation from the minister as to what it means. There are dealers all over the country who want to know what position they are in, and they are entitled to know.

Mr. ILSLEY: If the hon. gentleman will put his question I will try to answer it.

Mr. HOMUTH: I want to know why the minister differentiates in the matter of taxation between a car shipped draft attached, and a car shipped f.o.b. plant. The car shipped f.o.b. plant may not then have been paid for, or may be paid for a month or two months hence.

Mr. ILSLEY: The main thing for taxation purposes is to find out in whose hands the car is. In ninety-nine cases out of a hundred there is no difficulty, but where a common carrier intervenes between seller and buyer, rules have to be laid down by the department as to in whose hands the car is. The matter of payment is immaterial. It is a matter of in whose possession the car is. The fundamental general rule in the law of contracts and sales is that the common carrier is the agent of the buyer except where the seller retains the possession of the article by attaching draft to the bill of lading.

Mr. HANSON (York-Sunbury): It retains the *jus disponendi*.

Mr. MacNICOL: Give us that in English.

Mr. ILSLEY: The right of disposal.

Mr. HANSON (York-Sunbury): No, payment is not the criterion. Where a car is shipped, draft with bill of lading attached, to a consignee who is the actual buyer, according to the minister it would be pre-attached to the actual buyer, the user, the retail customer. I am not trying to put the minister in a hole or anything like it. Let me state the matter in another way. There are two alternatives. If the draft by the manufacturer is on the dealer with the bill of lading attached payable to the manufacturer's order, to be delivered against payment, then, according to the principle which the minister has enunciated, the dealer has the right of possession and he must pay the tax, no matter what the relations are between him and his customer. If on the other hand the consignee is the retail buyer, that is, the man who is to become the actual possessor and operator of the car, there is no tax—in a case where the payment does not enter into the situation at all he will not have to pay tax—for payment is not a criterion of taxation.

Mr. ILSLEY: Yes; a car delivered to a consumer before the date of the budget is not taxable. If it were shipped—I think such cases would be very rare—by common carrier to the consumer—

Mr. HANSON (York-Sunbury): I agree with that.

Mr. ILSLEY: —without any right of disposal being reserved to the manufacturer, it would be, in the eyes of the law and for all purposes, in the hands of the consumer, the user of the car. It might be on the train going to the place where he lived, but it would be his and would be free of tax. But if the right of disposal were reserved by the manufacturer, it would be in the manufacturer's hands, and the tax would attach.

Mr. HOMUTH: Who is the consumer—the dealer or the ultimate purchaser?

Mr. ILSLEY: If the hon. gentleman had followed his leader I think he would have understood. His leader made it very clear; he was trying to distinguish between a purchase by a dealer and a purchase by a con-

sumer direct from the factory. We have been talking about the consumer, who is not a dealer.

Mr. HANSON (York-Sunbury): What is the situation with regard to cars which the dealer has had on hand for some time and which are used for demonstration purposes? Are they in the class of unused automobiles? Most dealers have some cars of this class, and most of them do not have on hand any of the new cars; they are wise and get rid of them.

Mr. ILSLEY: The department applies the rule that if they have gone a thousand miles or more they are regarded as used cars.

Mr. ESLING: The other evening I interpreted the minister's explanation to mean that when a car was in transit the dealer was responsible for the tax. The dealer is really the owner of the car when the car is in transit, is he not?

Mr. ILSLEY: Not necessarily.

Mr. ESLING: May I put clearly for the minister the case I had in mind the other night? The budget came down on the 24th of June. This purchaser of a car, a private citizen, goes to his dealer and says, "I want to purchase such and such a car," and pays so much by way of deposit. Because of the distance and by reason of war orders that car is in transit to-day, although it was purchased and an initial payment made some time ago. The point to which I wish to draw the minister's attention is the discrimination which occurs. Had that car been purchased by a resident of Ontario, living within a short distance of the plant, there is no question that the car would have been delivered before this tax became operative; but since it was bought through a dealer living in British Columbia there was a long delay in transit. No matter whether the tax falls on the dealer or on the purchaser, it is there, but it would not have been there had the purchaser not been so far away. The same conditions apply in respect of the maritime provinces. Those living at a distance are penalized on that account because there is a delay in transit. The fact that the purchase and the payment were made on the eleventh day of May indicates clearly that the purchaser had no idea of evading the tax. Would the minister be good enough to consider that concrete case and tell us where we stand?

Mr. ILSLEY: I told the hon. gentleman the other evening where the dealer stands in such a case. The point the hon. gentleman is making is different from the one that we have been discussing. He is arguing that where the dealer has sold the car to a purchaser, to whom presumably he has delivered it at a fixed price, it is unfair for him to be obliged to pay on that car any tax that is imposed after he sells it. I regret that the government cannot accept the principle that where resales have been made before the tax is applied, that should be regarded as a ground for taking the tax off everybody. We cannot do that, and if it is a case of British Columbia versus Ontario or the maritime provinces versus Ontario, then I can only say that we have to treat everyone in Canada according to the same rule. It is unfortunate. Purchasers far away are a little more likely to be caught by the tax under those conditions, but we would not be justified in drawing a line somewhere, at the head of the lakes, say, and at Quebec city, and treating people west of one line and east of the other differently from other citizens in Canada. This is one country and the citizens must all be treated according to one rule.

The hon. member said that the argument has been made this afternoon that in certain circumstances if the car was in transit the dealer would not be liable for the tax. The car is taxable whether it is in the manufacturer's hands or in the dealer's hands on June 25, but the tax that is collectible, if it is in the dealer's hands, is a flat ten per cent, according to the amendment which is now before the committee. If it was in the manufacturer's hands on June 25—or in the possession of the common carrier when draft is attached; I include that—then the tax is the full graduated tax provided for by the budget, which is a very heavy tax on the higher priced cars.

Mr. MacNICOL: In the example the hon. member has given the dealer would lose?

Mr. ILSLEY: It depends upon his contract with the purchaser. I should imagine the dealer would lose.

Mr. MacNICOL: The purchaser having bought the car on May 11 either paid the full price or gave a portion of it and the car belongs to him.

Mr. ILSLEY: Yes. Nothing was discussed more than the probability that when the budget came down heavy taxes would be imposed on cars, and everyone who was in the business or was connected with the business conducted his operations with that possibility in the back of his mind. If therefore dealers did not protect themselves under their contracts, they have themselves to blame to a

certain extent. Perhaps I am going a little too far in making that statement, but certainly a tax on automobiles was no surprise to people in the automobile business.

Mr. MacNICOL: A dealer in the town of Chatham who ordered his car on May 11 would have got delivery by May 15, but a man in British Columbia being several weeks away could not get delivery within the time to escape the penalty of ten per cent. I can see the minister's point. There must be a stop somewhere, but I can also see that some people are penalized through no fault of their own but merely because they live at a distance.

Mr. HANSON (York-Sunbury): The minister is making delivery the test and nothing else.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): I suggest that the question of bona fides might have been given consideration. The officials will say that that is harder to check up on. It is, but if there is a firm order for sales, an enforceable order, as one hon. member has put it, payment having been made, that is of course a bona fide sale, and I suggest that some consideration should be given a case of that kind. If it is the decision of the government that actual physical delivery shall be the test, and if they rigidly adhere to that principle, I suggest that some damage will be done to dealers and they will have to pay taxes on cars which otherwise they would not pay. The minister says that everyone expected this tax. Well, everyone expected a tax on gasoline. The tax did not come in one case and it did in the other. But that is not a safe ground to put it on. People were warned that cars were going up and a great many people did act on that principle, but I should not like to base the tax on the principle that people ought to have known that it was going to be imposed.

Mr. ILSLEY: We should be doing the same thing if the tax had been a surprise to every one. We do it in every budget. In the case of imported cars, unless they were imported before June 25, the tax applies. We do not inquire whether there was a contract to import them at all. That is the general rule. Importers know they may be caught if they are not careful, and indeed they may be caught even if they are careful.

Mr. HOMUTH: On other occasions when tax proposals have been brought down in this house and a certain tax has been made applicable prior to a certain date, representations have been considered. The minister has said that all people in Canada must be treated alike. Coming from Ontario I am not so sure that the day will not come when we shall have to give some consideration to the question of distances in Canada from coast to coast. People in western Canada and British Columbia and people in the maritime provinces have to pay a certain toll for purchasing goods in Ontario. Personally I regard that as good for our Canadian economy, but I am not so sure that concessions will not have to be made in other directions, as in this matter for instance, if we are to work out a national economy that will be worth while. I think there is something in what the leader of the opposition has said and some consideration should be given to the contract.

Amendment agreed to.

Resolution as amended agreed to.

5. That the said act be amended by adding thereto after section eighty-eight the following section:

"88A. (1) In addition to any duty or tax that may be payable under this act, or any other statute, there shall be imposed, levied and collected a war exchange tax of ten per cent on the value for duty of all goods imported into Canada, payable by the importer or transferee who takes the goods out of bond for consumption at the time when the goods are imported or taken out of warehouse for consumption.

(2) The tax imposed by this section shall not apply to any goods imported into Canada,—

(a) which are entitled to entry under the British preferential tariff, or under trade agreements between Canada and other British countries;

(b) Which are entitled to entry under Customs Tariff items 360, 460, 690, 690a, 696a, 700, 700a, 701, 702, 703a, 704, 705, 705a, 706, 707, 708, 709; or to fish caught by fishermen in vessels registered in Canada or owned by any person domiciled in Canada and the products thereof carried from the fisheries in such vessels.

(3) Where the war-time prices and trade board reports to the governor in council that any producer or producers of goods have taken advantage of the tax imposed by this section to increase the price of such goods by an amount greater than is justified by any increases properly arising from such tax in the cost of materials or parts entering into the production of such goods or to maintain prices of such goods at levels greater than are so justified, the governor in council may, upon the recommendation of the said board, impose upon all or any of the products of any such producer an excise tax at a rate not to exceed ten per cent of the selling price of such products for such period of time as he may determine, remove or induce customs duties applicable thereto for such period of time as he may determine, fix the prices thereof and/or take such other measures and impose such penalties as he may determine."

Mr. HANSON (York-Sunbury): The minister was good enough to allow this resolution to stand because I had made some representations to the Department of Finance about it.

I wish to have a ruling on a case of this kind: Goods of a class or kind not made in Canada—caterpillar tractors—were ordered by a dealer in Canada under a firm order at a fixed price f.o.b. point of delivery in Canada, duty, sales tax, freight and all other charges paid. This was a written order which would be enforceable under the statute of frauds. The goods may or may not have been made up, but they did not arrive in Canada prior to the date of the budget. They were ordered through a dealer for contractors about to do war work, namely, clearing for the construction of airports, under a firm contract, at a price fixed with all charges paid, laid down in Canada. Some of them were in transit before the budget was delivered; some of them were ordered but not actually shipped. But if no allowance is made in either case the dealer has to pay this tax, and it is an amount of some importance. I had the matter up with the Deputy Minister of Finance, and he said consideration would be given to it.

Mr. ILSLEY: The hon. member said "all charges paid".

Mr. HANSON (York-Sunbury): Perhaps I was using the term loosely—all the then known legal charges paid. This tax was not even contemplated. The minister has not the excuse that the public ought to have known that this import tax was going on. The dealer must lose the amount of the tax, because while his customer could not make him deliver the actual article, certainly he could make him pay damages for non-delivery; if he had to have that particular type of implement he might sue for specific performance, or, in the alternative, for damages. Unless some consideration is given to that particular type of importation one dealer that I know will lose several thousand dollars; for he had the sole agency for this particular implement, and he had made his contract in the terms which I have stated. I took the matter up with the department immediately he notified me, and it has been under consideration.

A grave injustice would be done to the dealer in this case if he had to pay the tax himself. If, per contra, the minister has the power to do this, why not say by statute that on delivery the buyer shall pay the tax? That is where it belongs; he is going to make money out of the government with the use of this machine. I do not say it would be good ethical practice to say by statute that the incidence of the tax should be passed along to the ultimate consumer, but there would be some justification for it. I should like to know whether the department has come to any conclusion with regard to this matter. Perhaps I should have communicated with the commissioner of excise, but I did not know by whom the act was to be administered. Having sent the matter to the Department of Finance I thought I was doing the best I could for my people. If the buyer has to pay this tax it is a great injustice. I submit that the consumer ought to pay it.

Mr. ILSLEY: I do not think that a provision enacted by this parliament which would be an attempt to saddle the tax upon the consumer in a case of this kind would be constitutional. I know very little about constitutional law, but it would appear to me that the consumer who has entered into a contract for the purchase of goods at a fixed price would have the right, if the dominion parliament came along and said he must pay that price and something more, to contend that the dominion parliament was interfering with the contract he had made; it would be a direct interference with property and civil rights. I doubt if it could even be done under the War Measures Act, because not everything can be done under that act, but only a limited class of things. For that reason I think that an attempt by this parliament to pass the tax along to the consumer when there has been a resale would be ineffective. Certain dealers, and importers other than dealers, in making contracts for the resale of imported articles, protect themselves against additional taxes, whether war taxes or otherwise. The other day an importer came to me who thought that the tax ought to be remitted on a commodity of which he was a large importer and which he had resold. He made no attempt to conceal the fact that under the contract for resale he had the right to collect the additional duty from the purchaser. His point was that the war exchange tax raised the price unduly and would make the burden on the purchaser too heavy. In the case the hon. gentleman has put, the dealer could have protected himself against additional war taxes, but I assume he did not do so.

Mr. HANSON (York-Sunbury): Not as far as I know.

Mr. ILSLEY: It seems to me that the only relief we could afford would be to take the tax off altogether in cases where there had been a resale by an importer prior to June 25, 1940.

Mr. HANSON (York-Sunbury): As distinguished from actual delivery.

Mr. ILSLEY: Yes, I am not talking about delivery—where there had been a bona fide sale. We have not done that, and we do not care to do it. It is not usual. We have had seventy years' experience with that kind of transaction. When the duty was raised on

tea, as it has been, or on sugar, in the years gone by, so far as I know there has been no provision to protect the importer in cases where he has made a resale, in which event he would not be taxable, and the importer who had not made resale would be taxable. Whether or not that discrimination would be justified, I do not know. But we are merely following the regular practice, in putting on this tax, which in effect is a customs duty. We are simply following the regular practice when we say that goods imported, or taken out of warehouse for consumption, after the tax goes on, must pay the duty, entirely regardless of any transactions which have been entered into between the importer and other persons.

The case the hon. member has described is not the only one. I have in mind another distressing case. An importer in western Canada made arrangements for the importation of certain goods. He agreed to sell those goods. They are not in Canada yet, but they will enter the country either in the latter part of this month or in the early part of August, and he will have to resell them at the price he agreed to take for them, a price which did not include the tax. He did not protect himself because he had not the tax in mind.

I am inclined to think that in some cases the ten per cent tax, or the ten per cent increase in the tariff where the goods are dutiable, is not going to cause actual loss. In many cases it will cause only loss of profit or reduction of profit.

Mr. HANSON (York-Sunbury): Of course that is not an argument. A man is entitled to be paid for doing business.

Mr. ILSLEY: I know that.

Mr. HANSON (York-Sunbury): It comes out of the dealer's pocket. The minister should not be dogmatic about it.

Mr. ILSLEY: The leader of the opposition is picturing the loss that is going to come to this man, and is appealing for consideration by virtue of the effect it will have upon that man's personal fortunes. When that kind of appeal is made—and that is the only kind which can be made in circumstances such as these—so far as I can see, there is no right or wrong in the matter. We are following the regular practice; the matter of ethics or of principles is not involved. The matter of raising the duty ten per cent, or imposing a ten per cent duty on duty-free goods, and calling it a war exchange tax, is a matter of practice. We are doing what governments have done from confederation, when they have raised taxes. And I would point out that ten per cent is not such an undue increase that heavy losses are going to occur to persons because they have resold, assuming they have made no profit at all on the resale.

Mr. HANSON (York-Sunbury): I did not altogether agree with the minister with regard to the first thesis, namely the passing on of the tax. I was looking at that only from the ethical point of view, and had not considered it from the point of view of constitutionality. I agree with him that probably it would be unsound constitutionally for parliament to attempt to do anything of the sort. Therefore he may eliminate that feature of the discussion.

I suggest, however, that his comparison with the raising of the taxes on tea and sugar is not quite apt. We realize that of course these are commodities which have to be imported. There is always a supply of tea and sugar in Canada, and they can be obtained from various sources. But the implement I have in mind is of a class or kind that cannot be obtained elsewhere. We will say that the goods were actually in transit to the dealer on the day of the budget, or on the day after, when the tax went into effect. The minister falls back on the time-honoured argument that this has been regular practice for seventy years. To my mind, antiquity in itself does not carry any commendation with it. If something is unjust, then it is unjust—I do not care whether it is three centuries old or whether it became effective on the day the budget was presented.

I have often thought that the putting into effect of a tax on the day a budget is brought down, is, on balance, the correct procedure to take. I say that because I am afraid that unless some such action were taken at once, a good deal of injustice would be done to the treasury. The circumstances are somewhat similar to those war-time regulations respecting the dead-line in connection with marriages. In that connection three days were given, with the result that only yesterday over in Hull I am told there were two hundred marriages.

I am wondering if the same principle applies. Surely this is a different principle. As I say, the plea of antiquity does not commend itself. The minister is telling me that this is a convenient thing to do from the point of view of the treasury. This is a procedure which more than anything else will protect the treasury. If I must put my plea on an equitable basis I shall do so, and will say that this is an unjust thing to do.

I say that in respect of a firm contract, such as the one I have mentioned, where the goods

have been in transit and in fact are to be delivered, in equity this tax should not be imposed. I am not so sure there is so strong a case in respect of goods which have not been shipped, because I believe arrangements could be made to cancel such contracts, unless the person concerned was very anxious to have the goods. If he wanted them he could be asked to pay. But in respect of goods in transit I believe there is a sound argument in law and in equity against the practice of the department. Certainly I am not respecting the department's procedure because of its age, or simply because the department has carried it into effect for a period of seventy years, because it is the convenient procedure for the department to follow.

I wish between now and the time the bill is introduced the minister would give consideration to commodities of a class or kind which cannot be obtained in Canada, have to be ordered, and are connected with special work on war contracts. I do not suppose, however, that that plea will soften the minister's heart.

We cannot have airports such as the ones in Scoudouc, Salisbury, and these other impossible places where they are building airports—some of which I may say should not be built there at all—without this class of machinery. After all, if it is a question of profit I should like to know who is going to make the profit on this class of business. Is it the importer or the war contractor? I saw great numbers of contractors here in Ottawa from the maritime provinces trying to get these contracts for airports. The department has gone round, distributing one here, one there, and one to the other fellow; and they have frozen out a few who did not have sufficient pull to get in under cover, and get one of these contracts.

Let me tell the minister and the committee something more: In the county of Westmorland, where these three airports are being built, no man can get a job in connection with building them unless he has a letter from the Liberal machine. I have sent that information to the Minister of National Defence (Mr. Ralston). He invited us to give evidence of cases to him, and I have sent him the facts respecting a man building an airport at Scoudouc. The Dexter Construction company regretfully told a man who had communicated with me, a man whom I know and who was sponsored by me, that he could not get a job of driving a truck at the airport unless he had a letter from the Liberal machine of Westmorland county. Shame on a government that will allow that sort of thing to go on in war time, and especially after we had a statement from the Minister of National Defence that specific instructions had gone out stressing that this sort of thing was not to obtain!

[Mr. R. B. Hanson.]

I do not doubt that the ministry did send out that instruction, but if they did their machines in the various constituencies just ignored it.

I can cite another instance. The Patterson Construction company have a contract to fill in the yards of the Canadian National Railways at Moncton in order to provide more storage space. A man went to this contractor to obtain a job, and I am told that the boss on the job said, "It is a crime, but you cannot get a job here unless you have a letter from Mr. So-and-so," the local dispenser of patronage in Moncton. I can give his name because I have it upstairs, if the minister wants to know. This is the sort of thing that is going on in connection with war contracts. I admit immediately that this has nothing to do with this resolution, but the matter just came into my mind and I had to say something about it. Does the minister approve that sort of thing?

Mr. ILSLEY: No, I do not.

Mr. HANSON (York-Sunbury): I am sure he does not. Let him and me get together with someone else and see if we cannot wipe out this disgraceful state of affairs which is obtaining in my province and throughout the maritime provinces in connection with war expenditures, the money for which is being obtained by just this kind of taxation. A man who needs a job cannot get it unless he has a letter from the local Liberal machine. As far as I am concerned, if they continue to do that sort of thing in my county, I am going to say, "Go, ahead; every time you do that it means votes for me." But it should not happen.

Mr. MacNICOL: The votes should happen.

Mr. HANSON (York-Sunbury): From the point of view of an equitable basis, some consideration should be given where a machine is in transit. I do not say that this should be done as a matter of course without some investigation by the department as to the bona fides of the transaction. I invite the minister and his deputies to consider the suggestions I have made. In such a bona fide case, if the dealer receives no consideration from the government, it will involve a further payment on his part. I shall not refer further to cars which have not been shipped. I have told those who inquired that there was not the slightest chance of their receiving any consideration. They might have some other remedy.

The minister says that these people should have guarded against the possibility of a tax

being imposed. Perhaps we should all be as wise as Solomon. If we had as much foresight as we have hindsight we would know what to do in a given case. I suppose I have drawn thousands of contracts in my day. I have tried to think of everything that should be put into those contracts to protect the parties, but one cannot think of everything. Many of these young business men have not had much experience with taxation budgets and they cannot be expected to think of everything. May I make an appeal to the minister's heart if I cannot gain my point in any other way? He should give consideration to a case of this kind.

Mr. COLDWELL: Mr. Chairman, I want to repeat what I said during the debate on the budget itself. Before the bill comes down I do hope the government will give some consideration to relieving agriculture of this particular tax on farm implements. At the present time our agricultural industry is in the doldrums and is likely to remain there. A few moments ago the minister stated that in effect this tax was an additional tariff of ten per cent. For a long time the people of western Canada have urged that because of the fact that they had to use implements which were to a large extent imported, implements of production should be allowed to enter Canada free of duty. Successive governments have recognized the justice of that plea to some degree, and farm implements have been allowed into the country either free of duty or at greatly reduced rates. Now we are faced with a sudden substantial increase in the tariff, for that is what it is as regards farm implements.

If there is any justice in the plea of the leader of the opposition—and I believe there is—that machinery used in connection with air fields or our air industry should be given consideration, a similar plea on the part of agriculture is justified, I think to an even greater extent. I ask the government to consider relieving agriculture of this additional burden and to provide for this relief between now and the time the bill is brought down. If the government do not see fit to do that, then I ask that they use all their power to see that Canadian manufacturers do not take advantage of the increased tariff on imported implements to raise the price level of Canadian manufactured implements. I urge that they use that power if they decide not to exempt agricultural machinery from this tax.

In spite of the fact that the duty on agricultural implements was reduced by the budget which followed the accession of this government to power, and in spite of the fact that a careful inquiry was made into the farm implement industry by a committee of this house which made certain findings and recommendations for the protection of the farmer, nothing has been done about them; there have been during the last five years periodic increases in the prices of farm implements. Now we have a budget which imposes an additional burden upon a depressed industry. The part of the country from which I come, including the constituency which I represent, is largely wheat growing. The farms are highly mechanized with tractors, combines and trucks, and this tax is going to be a burden upon those farmers who must replace their implements with machines and repairs which originate in the United States. So I am making this plea again, and I am quite sure there are other members in all parts of the house, particularly those who come from the part of Canada from which I come, who share this view with me.

Since I do not want to occupy the time of the committee by rising again, there is a minor matter I should like to mention before I sit down. A few minutes ago I was in the library, endeavouring to get one of two recent publications which are published in the United States and to which I wished to refer. I understand that there is great difficulty in getting some United States publications into Canada at the present time on account of the uncertainty regarding the levying of this particular tax. That question will be for the Minister of National Revenue (Mr. Gibson), I presume, but I bring it to his attention while I am on my feet because our library is far behind in recent United States publications which we use for reference.

Mr. REID: Mr. Chairman, it was not my intention to speak at this time, but in view of the remarks made by the leader of the opposition accusing the government of political patronage in certain districts and stating that a line from the Liberal organization was necessary in order that a man might get a job, I plead with the hon. gentleman to help me in my riding where just the opposite state of affairs prevails. I am glad that he is in his seat. I am sure he will be interested to learn what is taking place on the Pacific coast.

We have out there in my constituency what was intended to be an emergency landing field and airport, but those having to do with the selection of sites have decided that they cannot use the present landing field at Langley Prairie, on which some $90,000 has been spent. The field was seeded to grass and clover and last year produced a fairly good crop of hay. A local farmer, a widow close by, endeavoured to get the cutting of this hay, but it was given to another farmer close by, who had been at one time the local provincial Conservative

member at Victoria. Evidently he did not require it for his own use but re-let it or gave it to another man. I protested at the time, pointing out that it was unfair that this good lady should not have been given the opportunity she sought, and I thought the matter would be looked into and dealt with more carefully this year. But what happened this year? The lady through one of her sons tendered twenty cents an acre for the cutting of the hay, and I was greatly surprised to find that the department had handed over the cutting to the same party who got it last year, free of charge, the department receiving no money at all. When I hear accusations being made about people having to get a line from some Liberal organization before they could get a job, I thought I might depend upon the leader of the opposition to help me out in my riding where conditions are just the opposite. Here is a case where not only is the government losing money, but some partisanship is being shown in the opposite direction. I am not going to sit quiet and listen to stories from the east as if they described conditions generally throughout the country, because such is not the case in British Columbia.

Mr. ILSLEY: Mr. Chairman, I have an amendment to move which will be in line with the suggestion made by the hon. member for Rosetown-Biggar (Mr. Coldwell), but before moving it may I suggest that we have all agreed not to go into these bypaths in the discussion of the budget resolutions. The leader of the opposition started it and I did not want to interrupt the hon. member for New Westminster (Mr. Reid), when he was attempting to reply, but that little incident shows the importance of our adhering closely to the rules, and I hope this will be the end of it.

The hon. member for Rosetown-Biggar asked the government to make sure that the ten per cent war exchange tax would not be used as an excuse for the raising of prices, particularly by Canadian manufacturers competing with imported goods. Subsection 3 of section 88A was designed to meet that situation, but further consideration has been given to that subsection and a carefully drafted clause has been prepared which I think will give the war-times prices and trade board adequate power to investigate and take remedial action where any exploitation of the war exchange tax is attempted. I would ask my colleague the Minister of National Revenue (Mr. Gibson) to move the amendment.

Mr. GIBSON: I move, Mr. Chairman:

That resolution No. 5 be amended by striking out subsection three of the proposed section 88A and substituting therefor the following:

[Mr. Reid.]

"(3) No person shall take advantage of the tax imposed by this section to increase the price of goods by an amount greater than is justified by any increase in cost properly arising from such tax or to maintain prices at levels higher than are so justified and, where the war-time prices and trade board reports to the governor in council that, in its opinion, any person has so taken advantage, the governor in council may, upon the recommendation of the said board, for such period of time as he may determine, impose upon all or any of the goods produced, sold or dealt in by such person an excise tax at a rate not to exceed ten per cent of the selling price of such goods, remove or reduce customs duties applicable thereto, fix the prices thereof and take or authorize the said board to take such other measures under the war-time prices and trade board regulations as the said board may recommend; and, for the purpose of investigation and any recommendation by the said board and for the purpose of preventing any aforesaid advantage from being taken by any person, the said board shall have in respect of any aforesaid person and goods the powers conferred on it from time to time by the said regulations as if such goods were necessaries of life as therein defined, and the taking of any such advantage shall be deemed to be an offence against this act and the said regulations, and the penalties prescribed in said regulations shall extend and apply thereto."

Mr. DIEFENBAKER: When the budget was introduced, the then Minister of Finance (Mr. Ralston) said, as reported at page 1021 of *Hansard,* that the purpose of this tax was to conserve exchange. I should like to deal with that particular phase for a few moments.

The stand and view I take is that experience to date of the operation of this tax has not confirmed the minister in the expectation and intention that he had in mind, particularly in the matter of the importation of fruits and vegetables to which I shall make reference a little later.

In the city of Montreal the application of this tax with respect to fruits and vegetables has in no way confirmed the opinion which the minister then expressed.

I wish also to support the statement made by the hon. member for Rosetown-Biggar (Mr. Coldwell), that this tax, designed as it is to conserve exchange, should have exempted from its application farm implements; for as I see it, in spite of the amendment now suggested, there will be imposed upon the farmers of Canada a further tax of approximately $2,000,000 irrespective of whether or not advantage is taken of this tax by Canadian manufacturers of farm implements.

During the year 1939 there was imported into Canada some $20,000,000 worth of farm implements. There is no need to state again in this chamber the position of agriculture in western Canada, but I could not allow this opportunity to pass without again pointing out to the committee what it already knows, that

to-day the only industry in Canada which is required to produce at a price lower than the cost of production in many instances is the agriculture. Every other industry—munitions manufacturers, supply manufacturers and all others—receive in addition to their costs of production a reasonable profit. But the position in which the western farmer finds himself to-day is this, that irrespective of the yield that he has, he continues to produce at a cost lower than the cost of production, and nothing is being done, in order to assure him of what all manufacturers in Canada are entitled to, namely a reasonable profit. But at a time like this, when, instead of the farmer receiving parity prices, the gulf between the cost of the things he sells and the cost of the commodities he buys continues to widen, to his detriment, this further tax is imposed upon agricultural implements, among other things.

Whenever this session the question is raised in this house as to what will be done in regard to agriculture, the answer received is that the matter is being considered. But we know that as far as agricultural implements are concerned, in spite of the reduction in the tariff over a period of years, prices have continued to rise, I am not alluding to what has happened in the past two years, when one would naturally expect a rise because of the diversion of metals and other commodities to military purposes; the price rose before that. What have the government done? They had a committee investigate the matter, and the longer the committee sat, the higher went the price. In 1938 the government of Saskatchewan petitioned the government of Canada to take proceedings under the terms of the Combines Investigation Act, but nothing was done. To-day, when the farming communities of western Canada are in a plight never before paralleled, the government impose a further tax. They say it is to conserve currency; in point of fact, it is simply another tax, because, if what happened in the fruit industry is any criterion, a ten per cent tax will not conserve exchange. The amendment does nothing to relieve agriculture in any degree of the extra payment it will have to make by reason of the imposition of this exchange tax.

My suggestion to the minister is this: Do not load on agriculture a further tax at a time when farmers in western Canada and Canada as a whole are contributing their share, in many instances at a loss. It must be remembered that they have no protection. I would not argue this way, it being war time, if I believed that this tax would conserve currency. But ten per cent can do very little in that direction; it can only have the effect of an increase in price.

There are a great many ways in which currency could be conserved to the extent, if any, which will result from this tax. In the first place it could be done by a simple amendment on the part of the Department of Agriculture providing for the payment to the farmer of one cent a bushel a month for the storage of wheat while on his premises. During the last year there have been stored in the United States of America approximately 20,000,000 bushels of wheat upon which either the Canadian government or private institutions in Canada are paying to the United States $200,000 a month as storage fees. Is there any excuse for that? Is there any justification for the utilization of facilities in the United States, when, by a simple amendment, it would be possible to conserve $2,400,000 a year in Canadian currency and give the western agriculturist an additional three or four cents a bushel, depending on the length of time that the wheat was kept in storage on his farm? No extra cost to the Canadian people would be involved, and at the same time exchange would be conserved.

Consider the matter of pork products. We talk of saving exchange; yet during recent months, when the Canadian farmer has been asked to increase pork production for war purposes, we have imported millions of pounds of United States pork to the detriment of our farmers, and of the people as a whole in the matter of exchange. In January of this year imports of United States pork into Canada amounted to 8,727,891 pounds; in February we imported 14,797,781 pounds. Millions of Canadian dollars were spent in the purchase of United States pork products to the detriment of the Canadian farmer. Will a ten per cent tax keep out this flow? In recent months a quota has been applied; yet even so we are importing from one and a half to two million pounds of pork products a month.

Or take the importation of butter. In 1939 it was reduced to very small proportions, but in 1938, while some 14,000,000 pounds were in storage in Canada, we imported from the United States and other countries butter to the value of $1,400,334.

We talk of conserving exchange; what about the cheese situation to-day? In 1939 Canada imported $377,000 worth of cheese products.

I might cite the position in respect of other commodities. By considering what has happened in recent weeks in the fruit and vegetable industries, one may ascertain how well this tax will work out for the conservation of exchange. The fact is that fruits and vegetables are being imported in ever-increasing quantities to the detriment of the Canadian producer. The hon. member for Peel, representing a constituency in which these industries are very important, has drawn the

attention of this and other parliaments to this matter without success. Yet what do we find? To-day huge supplies of foreign fruits and vegetables are piling into Canada, depriving the Canadian producer of a portion of his home market. I am not going into details, but it seems to me that if this tax is to operate to conserve exchange—and that is the reason and the justification for it—it will have to be increased considerably beyond ten per cent, so as to stop the flow of farm products into this country. In 1939 there was brought into Canada $6,473,000 worth of fruits, exclusive of oranges, bananas and the like. In war time we endeavour to conserve our resources, and Canadians would be willing to sacrifice the luxury of obtaining, earlier in the season than they can be produced in Canada, fruits of the kinds this country can supply. Yet, instead of imposing a tax which would conserve exchange, we are to be content with an increase of ten per cent, which will be inoperative and ineffective in connection with this particular industry.

I might illustrate the position by referring to carload imports of peaches or plums from the United States into the Montreal market during the past few weeks. The cost in the United States is approximately $1,000 per carload and the freight payable is also about $1,000 per carload. In the week beginning June 27 and ending July 3 there came into Montreal, after the imposition of this tax twenty-eight carloads of plums, a luxury at this time, which cost the Canadian people in Canadian exchange $56,000. The same is true of peaches and other fruits. It is not as though fruits of this kind grown in Canada are excelled in any other country; the only point is that we get them earlier by allowing them in. I suggest to the minister that if he wishes to protect the Canadian farmer, the producer of this type of commodities, the tax should be made sufficiently high to keep out of the country most of these imported fruits.

Consider also the matter of vegetables, including potatoes. We imported last year vegetables to the value of $5,376,000, of which potatoes amounted to $706,121, and the rate of importation during the present year is higher. We have on hand in Canada out of the last crop potatoes which in many instances are unsalable because the market has been destroyed by the influx of the United States product.

If this change in the tax is to be protective, if it is not a tariff for revenue purposes but is designed to conserve exchange, why should it not be raised to a level that would guarantee the Canadian farmer his own home market? The main fruit markets in Canada are Montreal, the largest, and Toronto, Winnipeg and Vancouver. Will the ten per cent tax operate to prevent the importation of luxuries from the United States? The figures in connection with what happened in the Montreal market in the first week the tax was in effect show exactly how the tax will operate. It will mean that the consumer will have to pay more, but it has not resulted in any reduction in importations. During the week from June 27 to July 3, 1939, apple importations amounted to fourteen carloads and in 1940, to eleven carloads. There was a reduction. The importations of grapefruit increased from twelve to eighteen carloads; tomatoes, from forty-six to fifty-four; plums, from twenty-two to twenty-eight; apricots, from one to three; peaches, from two to five; cherries and berries, from eight to thirteen.

Mr. MacNICOL: An increase?

Mr. DIEFENBAKER: Yes. The increase in potatoes was from thirty-seven to forty-nine. In other words, in the main in the case of fruits and vegetables, during the first week the tax was in force there was an increase in importations into Canada over those of a year ago.

My suggestion to the minister is this. First, except farm implements from the operation of the tax, and second, in order to conserve exchange, bring in legislation providing for the payment to the farmer of one cent a bushel a month for wheat stored on his premises. Protect the Canadian farmer, the producer of fruits and vegetables; protect the Canadian farmer who produces pork and pork products; protect the Canadian farmer who produces butter, eggs and commodities of that sort. Raise the tax so as to protect the Canadian farmer in his home market, and at the same time conserve currency for Canada at this critical time.

Mr. ILSLEY: The hon. member is arguing for a selective tax; that is to say, he advocates the removal of the tax entirely from certain imports and the imposition of a very much higher tax on certain other imports, the consideration being the protection of agriculture.

Mr. DIEFENBAKER: And the conservation of exchange.

Mr. ILSLEY: And the conservation of exchange, but I should say, mainly, the protection of agriculture. The hon. gentleman realizes that we have a trade agreement with the United States, and while I am not in a position to say anything positive about the effect upon that trade agreement of any

attempt to impose a range of protective duties with the view specifically of keeping imports from the United States out of Canada, I should imagine that there would not have been a chance of saving the trade agreement with the United States if we had taken the course suggested by the hon. gentleman. There are hon. members who will say, "Well and good; let the trade agreement go by the board; forget it, and raise your duties sky-high on imports of fruits, vegetables and other commodities from the United States, placing other articles, such as farm machinery, on the free list, or keeping them on the free list, and seeing that no other duties are imposed." There are hon. members who will say that this is the course we ought to have taken, but I should like my hon. friend to consider the effect of terminating, cancelling the trade agreement with the United States. Is not the United States market of value for cattle from his own province, for example? Is not the United States market of value for fish from the maritimes? Is it not of value for lumber? Is there not a wide range of commodities for which we have to think of export possibilities?

The hon. gentleman made a plausible case for a selective war exchange tax which in effect would be a highly protective budget, but the price we should have been obliged to pay for it would have been undoubtedly the termination of the United States trade agreement. A flat ten per cent war exchange tax was not open to these objections; it applied to everything. The United States understood our necessities in a time of war and were prepared to accept it without disrupting the existing trade arrangement. But to introduce a budget with greatly increased duties on certain commodities without duties on certain other commodities, having in mind the interests of a particular industry, would have meant, I am sure, the termination of the present trade arrangement with the United States. Perhaps hon. gentlemen will say that this too would be a good thing, but it would have meant a long and acrimonious debate in this house. It must be remembered that it is not only agriculture that has an interest in the fiscal system of Canada. All industries have an interest in that system, and there would have been on all sides of the house spokesmen for the interests predominant in their particular constituencies, arguing the insufficiency of certain tariffs that were imposed, or arguing against certain increases, if we had taken the course which the hon. gentleman has suggested.

I am inclined to think that the course which was taken was the only one that was practicable and possible. I do not agree with the hon. gentleman that this tax is inoperative. It may be that, due to increases in the income of many people in this country, they are importing more fruit and vegetables from the United States this year than last, but they would have been importing still more if it had not been for the imposition of this ten per cent tax. No one, I think, can argue that the levying of a ten per cent duty encourages importation.

Mr. GRAYDON: It does not discourage it much either.

Mr. ILSLEY: I think everyone will admit that it discourages it to some extent.

Mr. STIRLING: Very little.

Mr. TUCKER: I feel that I can not let this item pass without raising a protest on behalf of the people who have done me the honour to elect me to this house. It is just because of what the minister has said that I feel I must speak. I realize that, as far as certain luxuries are concerned, a ten per cent import tax will not stop the importation of such luxuries. The people who import them can well afford to pay the extra cost. But the imposition of a ten per cent tax on farm implements does mean the introduction of a highly protective principle as far as they are concerned. If the minister means what he says, that the government do not want to introduce the protective principle into this budget, then I urge him with all the force and all the sincerity of which I am capable to exempt the implements of primary production—

An hon. MEMBER: The hon. member voted for the budget.

Mr. TUCKER: I did not vote for the budget, and the reason why I did not is that in it there is this highly protective tariff being imposed in respect of farm implements.

I rose not to make any attack, but to urge and plead with the government to exempt farm implements from this tax. It may be all right to put a tax such as this on luxuries, but in regard to the very implements of production of one of the most depressed industries in the country, one that is barely able to subsist under present conditions, I submit that is not what we should do, particularly as a Liberal party. In connection with this protective principle, let me point out that when this party came into office the tariff on farm implements was 25 per cent. We finally got

it reduced to 7½ per cent. The argument was that by that reduction we were taking away a great deal of the protective principle as far as farm implements were concerned.

To-day the situation is this: There is still a 7½ per cent duty against farm implements, also a 10 per cent exchange rate, which brings the protection to home industries up to about 18 per cent. Now can it be said that putting on still another 10 per cent is not introducing a protective principle in regard to farm implements? If a total of 28 per cent is not protective, then we did the Right Hon. R. B. Bennett and his government a great injustice in saying they had put a very high tariff on farm implements. I believe that he did a great injustice to the farming industry at that time, and I think any government that puts a tax like that on the implements with which our farmers have to make their living is introducing the protective principle. For that reason I submit that this 10 per cent import tax on farm implements is protection, whereas 10 per cent on luxuries does not introduce that principle at all.

To add 10 per cent to the cost of the implements of production of the great basic primary industries of this country at a time when they are barely able to carry on at all may well strike a blow at them under which they will reel for years. I sometimes think that hon. members representing other industries in Canada do not realize how depressed our farming industry is to-day. In appendix No. 4 to the report of the royal commission on dominion-provincial relations, dealing with the income of various groups in this country, on page 59 I find that the net income of the farming industry in 1926 was $728·2 millions. In 1937 that net income was reduced to $439·4 millions. It should be pointed out that this net income includes a large allowance as income for the privilege of farmers living in their own houses. The average net income for the last seven years since 1931 has been $274·8 millions. This means that the average farm income of Canada for the seven years ending with 1937 was reduced 65 per cent, as compared with 1926. I would ask hon. members representing other industries, if the income of their industries had been reduced during the seven years, 1931 to 1937, by 65 per cent as compared with 1926, would they not think that the matter of imposing further heavy taxation on that industry which is being pressed down and down and down should receive some special consideration?

Progress reported.

At six o'clock the house took recess.

[Mr. Tucker.]

After Recess

The house resumed at eight o'clock.

YUKON ACT AMENDMENT

VALIDATION OF YUKON FUR EXPORT TAX ORDINANCE ACT ASSENTED TO MAY 20, 1919—CONCURRENCE IN SENATE AMENDMENTS

Hon. T. A. CRERAR (Minister of Mines and Resources) moved the second reading of and concurrence in amendments made by the senate to Bill No. 11, to amend the Yukon Act.

He said: It will be recalled that when amendments to the Yukon Act were before the house the hon. member for Yukon (Mr. Black) suggested an amendment. That suggestion was accepted. It was approved by the law officers of the crown, and the bill passed the house in that form. In the other chamber further consideration was given to the measure, and a slight change was made in the amendment, which has been accepted by the law officers of the crown. That amendment carries out perhaps more fully the purpose in the mind of the hon. member for Yukon, and that being so, I have no objection to accepting it.

Motion agreed to, amendments read the second time and concurred in.

NORTHWEST TERRITORIES ACT

JURISDICTION OF PROVINCIAL COURTS—CARE OF INSANE PERSONS—CONCURRENCE IN SENATE AMENDMENTS

Hon. T. A. CRERAR (Minister of Mines and Resources) moved the second reading of and concurrence in amendments made by the senate to Bill No. 12, to amend the Northwest Territories Act.

He said: These amendments are to be found in the senate votes and proceedings for July 10. They change slightly, but not materially, the amendments to the Northwest Territories Act I proposed in this house.

Hon. members will recall that the measure gave the courts in the provinces jurisdiction to deal with civil matters arising in that area known as the Northwest Territories, and also empowered the courts in the provinces to deal in the same way with surrogate court matters. The amendment made by the senate reads:

The superior courts of the provinces of Ontario, Quebec, Nova Scotia, New Brunswick and Prince Edward Island shall, in all parts of the territories east of the eighty-ninth meridian of west longitude, and the superior courts of the provinces of Manitoba, Saskatchewan, Alberta and British Columbia shall, in all parts

of the territories west of the eighty-ninth meridian of west longitude, have and exercise in civil matters the like jurisdiction and powers with respect to persons and property and to actions, suits and proceedings affecting them as the said courts have with respect to persons and property within the territorial limits of their ordinary jurisdiction and to actions, suits and proceedings affecting them.

The effect of this amendment is to divide the civil proceedings which may necessarily arise in the northwest territories, so that the provinces west of the eighty-ninth meridian of longitude deal with the cases west of that meridian, and the provinces from Ontario east to the seaboard have jurisdiction to deal with cases arising east of that meridian.

Mr. HANSON (York-Sunbury): Is the eighty-ninth meridian between Manitoba and Ontario?

Mr. CRERAR: No; that meridian is somewhat east of Churchill, in Hudson bay. I looked it up on the map the other day.

Mr. MacNICOL: It comes down through Ontario.

Mr. CRERAR: Yes, but the greater part of Ontario lies east of it. Then, there is this further amendment:

The courts having surrogate powers, of all the provinces, shall, throughout the territories, have the like jurisdiction and authority in relation to the granting or revoking probate of wills and letters of administration of the property of deceased persons and all matters arising out of or connected with the grant or revocation of grant of probate or administration as the said courts have within the territorial limits of their respective ordinary jurisdiction.

This provision gives any court in any province the power to deal with any surrogate court matter in any part of the northwest territories.

Motion agreed to, amendments read the second time and concurred in.

SUPPLY

The house in committee of supply, Mr. Vien in the chair.

DEPARTMENT OF PENSIONS AND NATIONAL HEALTH

Health branch.

241. Quarantine and leprosy, including contribution of $1,500 to the international bureau of public health, $150,570.

Mr. MacNICOL: Where is the head office of this bureau located?

Hon. IAN A. MACKENZIE (Minister of Pensions and National Health): It was in Paris.

Mr. MacNICOL: Where will this money go now?

Mr. MACKENZIE (Vancouver Centre): I should not imagine it will be used. The bureau is still operating, but it is very doubtful whether this vote will be used this year.

Mr. MacINNIS: How many persons are under quarantine for leprosy in Canada?

Mr. MACKENZIE (Vancouver Centre): There are seven in Tracadie and four at Bentinck island, British Columbia.

Mr. HANSON (York-Sunbury): Has a physician been appointed at Tracadie?

Mr. MACKENZIE (Vancouver Centre): Yes, that position has been filled.

Mr. HANSON (York-Sunbury): Who is the present incumbent?

Mr. MACKENZIE (Vancouver Centre): Dr. Robichaud.

Mr. HANSON (York-Sunbury): Was he appointed by the civil service?

Mr. MACKENZIE (Vancouver Centre): It is a temporary appointment.

Mr. HANSON (York-Sunbury): I suppose he is filling the vacancy created by the death of Doctor Ryan?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. HANSON (York-Sunbury): I suppose there is some difficulty in getting a competent man to fill this position?

Mr. MACKENZIE (Vancouver Centre): A part-time practitioner is all that is necessary because there are only seven patients at Tracadie to be looked after.

Mr. HANSON (York-Sunbury): Does Doctor Robichaud live at Tracadie?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. HANSON (York-Sunbury): He is the local physician?

Mr. MACKENZIE (Vancouver Centre): Yes.

Item agreed to.

Health branch.

242. Laboratory of hygiene, $106,786.

Mr. HANSON (York-Sunbury): Could the minister explain the increase of $5,235?

Mr. MACKENZIE (Vancouver Centre): The increase in salaries amounts to $13,035; increase in materials and supplies $1,200; increase in freight, cartage and express, $1,000. The decrease in equipment amounts to $7,400, and in sundries, $2,600. Total increases amount to $15,235; total decreases, $10,000, making a net increase of $5,235. This is occasioned by the establishment and operation of the

laboratory at Kamloops, British Columbia, and the enlargement of field study work at the laboratory at Ottawa. This necessitated the employment of additional professional and assisting employees.

Mr. HANSON (York-Sunbury): Perhaps I should have asked this question on an administrative item, but could the minister give us the policy of his department with respect to the curtailment of personnel during the war?

Mr. MACKENZIE (Vancouver Centre): Speaking generally, our non-war services have been curtailed as far as possible, and some of the personnel employed in these branches have been transferred to other branches more directly concerned with definite war purposes.

Item agreed to.

Health branch.

243. Immigration medical inspection, $75,210.

Mr. STIRLING: I suppose this decrease is due to the reduced immigration, but will this vote be affected by the guest children coming to this country?

Mr. MACKENZIE (Vancouver Centre): Actually the cost will be increased because other duties have been undertaken. Of course, many former duties will be lessened as a result of recent events. The department has undertaken the hospitalization of some of the personnel of the Canadian active service force and naturally this will entail additional duties and responsibilities.

Mr. STIRLING: Does this vote cover all the medical work in connection with immigration?

Mr. MACKENZIE (Vancouver Centre): The entire medical work for the immigration branch.

Mr. WRIGHT: Would this cover the inspection of war prisoners brought to this country?

Mr. MACKENZIE (Vancouver Centre): We supervise that also.

Mr. DONNELLY: Where are the medical immigration officers formerly located on the continent now located?

Mr. MACKENZIE (Vancouver Centre): They are all in London with the exception of one who was in Germany and who is now in Ottawa.

Mr. HANSON (York-Sunbury): What are they going to do in London?

Mr. MACKENZIE (Vancouver Centre): Their duties will be in connection with the movement of guest children from England to Canada.

[Mr. Ian Mackenzie.]

Mr. GRAYDON: Are these guest children who come out here examined before they leave England or after they arrive in Canada?

Mr. MACKENZIE (Vancouver Centre): The intention is to have them examined before they leave and after they arrive. It is intended also to have them thoroughly immunized at the provincial placement centres.

Mr. GRAYDON: Will the cost of the immunization be borne by the provincial authorities?

Mr. MACKENZIE (Vancouver Centre): I think so, but this arrangement has been in process of discussion only during recent days.

Mr. CASSELMAN (Grenville-Dundas): I notice from the particulars on page 157 of the estimates that there is an increase in materials and supplies from $3,950 to $25,000. Could the minister give some explanation as to that?

Mr. MACKENZIE (Vancouver Centre): That is to cover food and supplies for the personnel of the Canadian active service force hospital at Halifax, with a bed capacity of 181, and the one at Quebec, with a bed capacity of 124.

Item agreed to.

Health branch.

244. Child and maternal hygiene, $12,495.

Mr. HANSON (York-Sunbury): This would seem to me a purely provincial matter. Is this a bureau which was set up a long time ago and which should be abolished, but has not been up to date? It seems to me that we should not be attempting to deal with this matter, especially in a small way. I notice from the particulars on page 157 of the estimates that there is a chief of division with a salary of $5,220; a chief clerk at $3,630; a clerk, grade 3 and a stenographer, grade 2. Out of a total vote of $12,495, salaries take up $11,745. The other $750 is for travelling expenses. What work is this bureau doing and why is it necessary to maintain it? If it is not performing any useful work, why should not the personnel be transferred to some other branch until they die, when we would be rid of them.

Mr. MACKENZIE (Vancouver Centre): Much to my regret I must say to my hon. friend that because of the financial necessities of the present day we are compelled to abolish this branch. The amount voted under this item will be transferred to other branches of the service. Since this branch was reconstituted in 1937, it has carried on a most excellent work, including the Manitoba survey. It has had the benefit of the advice of two most

eminent committees of medical men and was preparing a publication on maternal hygiene and child welfare, which was to take the place of a former publication. From a sociological point of view the work performed has been really praiseworthy in every detail. The chief of division has already been transferred to another branch and the other officials will be assigned to essential war services.

Mr. HANSON (York-Sunbury): We shall have to pay their salaries.

Mr. DOUGLAS (Weyburn): Surely no economy could justify the curtailing of this kind of work. It was not a big vote to begin with, and I cannot agree with the leader of the opposition (Mr. Hanson) that the work has not been very necessary. I do not know all the work they have done, but I remember taking some courses in sociology at Chicago university some years ago and Canada at that time had one of the highest maternal deathrates and infant mortality rates in the civilized world. I was not very proud of that record. Of course there were many extenuating circumstances such as the comparatively large number of our people living in outlying areas where communication is not good; but even if we take all that into consideration, the maternal deathrate and the infant mortality rate still remain exceedingly high in our cities, and if this branch of the department were doing anything like good work, educating the public and helping the provincial health departments to reduce these high mortality rates, I think we would be doing a good job and I would be sorry to see the work relinquished and the vote reduced.

Mr. MACKENZIE (Vancouver Centre): I agree entirely with my hon. friend. I am sorry to see the vote reduced, but reductions have been made necessary in essential services connected with health work. I hope the day will soon come when the vote is not only reinstated but increased.

Mr. HANSON (York-Sunbury): Is this not a duplication of work already being done by the provincial departments of health at least in some provinces? Some of the provinces I dare say are backward, but the whole danger in connection with the health department here is that it is a duplication of work which ought to be done by the provinces. I remember these votes twenty-odd years ago when the department was in the growing stage. It has been growing ever since in personnel, and I dare say in the work they are trying to do. But, after all, I am of the opinion that a large part of the work of the department is a duplication of that done by the provinces. Under the constitution this work is purely a provincial matter. While some of the provinces may be backward, my observation has taught me that once you start a branch or bureau like this and get a number of officers in it, they are interested in their work and naturally like to see it grow, and one thing leads to another until the first thing you know you have a number of bureaux which are doing work comparable in some degree at least with that done by the provincial health authorities. It is the old story. In Canada we have duplication in half a dozen different fields but the two most outstanding are agriculture and possibly health. I never could understand the real reason for a department of health in Ottawa except with respect to our responsibilities arising out of immigration and that sort of thing. We are in war time and are spending a tremendous amount of money, and here is a real chance to cut down, and cut down to the bone. Look at the estimates for this department! While some cuts have been made, they have been nothing comparable with what they ought to be.

Mr. GRAYDON: Has the minister any figures to show the headway we are making in reducing the infant mortality rate in Canada?

Mr. MACKENZIE (Vancouver Centre): If I may answer the leader of the opposition first, the act respecting the Department of Pensions and National Health sets out in section 4 paragraph (a) the powers and duties of the minister:

> (a) Cooperation with the provincial, territorial, and other health authorities with a view to the coordination of the efforts proposed or made for preserving and improving the public health, the conservation of child life and the promotion of child welfare.

There is a specific duty, for this specific purpose, placed by parliament upon the national department. In addition, may I inform my hon. friend that the provincial governments unanimously, through their membership in the dominion council of health, recommended that this department be created. It was done upon the request and with the unanimous advice of the provinces, and if there is duplication, every possible effort is made to avoid it.

Mr. HANSON (York-Sunbury): I can understand that the provinces, if they can get the dominion to take over any part of their load, will be only too glad to have the dominion do it, and then they will use the federal research branches here. But I suggest that the field is provincial and we ought not

to lose sight of that fact for a moment. I appreciate the words of the statute setting out the duties of the department, but the statute in itself shows that there is duplication. It speaks of coordination of the services between the provinces and the dominion. All that is duplication. Here is a grand opportunity to save money for the treasury. Let us work together and do it.

Mr. MACKENZIE (Vancouver Centre): That is what we are doing this year.

In reply to the question asked by the hon. member for Peel, I have not specific figures before me at the moment, and they vary of course from time to time, but I can say that the maternal deathrate and the child mortality rate are lower in Canada than in any other country of corresponding size and are not higher than those of the republic to the south of us.

Mr. DOUGLAS (Weyburn): Has the minister comparative figures for Canada, New Zealand, Australia, England and South Africa? I understand that our figures are higher than those in any of these other countries.

Mrs. NIELSEN: I was wondering, Mr. Chairman, where the minister obtained his figures when he said that our maternal deathrate was not bad. In a pamphlet entitled "Canada's Health," by the Hon. George Hoadley, Division on Public Health and Medical Services, published by the National Committee for Mental Hygiene (Canada), I find that the statistics for 1936 for twenty-six leading countries of the world show that only four had a higher maternal deathrate than Canada. We were twenty-second on the list. It also shows that the average age for mothers dying is thirty-one years, and we lose a mother every eight hours, three mothers a day. On the average we are losing, according to the figures given in this pamphlet:

> A mother every eight hours or three a day.
> Fifty-four children under five years every day.
> Forty-two children under one year every day.
> Twenty-four children still-born (or who lived less than twenty-four hours) every day.

It seems to me that this is a record of which any civilized nation should be thoroughly ashamed. A problem like this cannot be neglected. The whole future of our race depends upon its solution. More than fifty per cent of all the voters of Canada are women, and that means that even in war time these health services should be carried on and have more money allocated to them because conditions in Canada are deplorable.

Mr. MACKENZIE (Vancouver Centre): May I ask if my hon. friend was quoting the figures for 1926?

[Mr. R. B. Hanson.]

Mrs. NIELSEN: No; 1936.

Mr. DOUGLAS (Weyburn): The leader of the opposition points out that if the work of the health department were turned over to the provinces, it would do away with duplication of services. The reverse would be true. If our provincial departments of health had each to do its own research work with reference to lowering the maternal death rate and the infant mortality rate there would have to be set up nine different research branches, whereas now that work is all centralized at Ottawa, and their findings are turned over to the provinces. So, instead of causing duplication, the federal department obviates it; it does the work that would have to be done by nine different provincial authorities or not be done at all. I think this reduction is a retrograde step. This is necessary work, and no one who stops to think about the health of Canadian mothers and the chance that is given to the average child, particularly those born in country homes, in the backwoods and in mining centres, can help feeling that in reducing these services we have ceased to do battle with one of the gravest national problems in Canada.

Mr. MACKENZIE (Vancouver Centre): I have now the figures for which the hon. member for Peel asked. In the report of the department for the year 1939, at page 18, I find that the infant deathrate per 1,000 live births was sixty-three, which, in comparison with the 1937 figure of seventy-six was most encouraging. The total number of deaths was 14,517, a definite improvement over the previous year when there were 16,693 deaths. While Quebec had the highest rate, namely eighty-three, it was lower than that of the previous year. British Columbia had the lowest with a rate of forty-five.

There was a definite improvement in respect of maternal deaths. The total number of maternal deaths was 968, whereas in 1937 the total number was 1,071. The deathrate in 1938 was 4·2 as compared with 4·9 in the preceding year. The average rate from 1926 to 1930 was 5·7, and from 1931 to 1935 it was 5·1. Quebec had the highest rate, namely 5·2, and Saskatchewan and Prince Edward Island both had a rate of 2·5. The progressive reduction in maternal deaths is encouraging and is justification for the reestablishment of the child and maternal hygiene division of this department.

Mr. SLAGHT: Regretting as we all do the deaths that have been indicated, I think I owe it to my constituency, in which Callander is situated, to say that we have a world record of another kind as well.

Mr. MacINNIS: I think this item should not be passed without its being given a great deal of consideration. As has been pointed out by the hon. member for North Battleford and several other hon. members, Canada's record with regard to both infant mortality and maternal mortality is not, in comparison with that of other countries, a very good one. I have in my hand a small booklet issued by the Canadian Association for Adult Education. A great part of this particular issue is devoted to an analysis of the report of the national committee for mental hygiene for the year 1937. As the minister has pointed out, there was an improvement in 1938. But in 1937, of every 1,000 babies born alive in Canada, no less than 76 died before reaching their first birthday. It is further pointed out that in England, the population of which is much more dense than that of Canada, and where, I assume, conditions due to poverty are worse, the figure is 58 per 1,000. In our sister dominion of New Zealand the mortality is 30 per 1,000—76 for Canada and 30 for New Zealand. The report goes on to show that if our infant mortality rate were as low as that of New Zealand, 10,000 infant lives would be saved each year. This loss of life is enormous, and to a large extent preventable.

Records of the various provinces and cities differ widely. For 1937, according to the figures I have, the lowest infant mortality rate was that of Brandon, Manitoba, with 30 per 1,000; followed by Vancouver, with 33, and Victoria, with 36. The figures continue to rise until we come to Three Rivers, Quebec, where the mortality is 297 per 1,000 of live births. This is a terrible record. If we compare the fifty-six capitals and largest cities of the world we find that Ottawa, the capital city of Canada, ranks fifty-second; only four other capital cities in the world have a higher infant mortality rate.

There may be some votes which should be cut to the bone, but I do not think this is one of them.

Mr. SHAW: We have been told that because of the war, and for economy's sake, there should be a drastic reduction in connection with this estimate. Let us assume that we are prepared to accept that explanation. But we observe next the increases in salaries to be given to the chief of the division, the chief clerk, and the clerk grade 3, and one could hardly argue that this is done for economy's sake. Would the minister mind telling us what the added duties of these individuals are to be to justify such increases, when they are already receiving substantial salaries?

Mr. MACKENZIE (Vancouver Centre): These are all purely statutory increases.

Mr. HANSON (York-Sunbury): Yes, but you do not have to give statutory increases if they are not doing anything.

Mr. MACKENZIE (Vancouver Centre): Oh, yes.

Mr. HANSON (York-Sunbury): Oh, no. There is discretion in the treasury board.

Mr. MACKENZIE (Vancouver Centre): Yes, but the officer in charge of this work is doing a very valuable service.

Mr. HANSON (York-Sunbury): Sure. They always are.

Mr. ADAMSON: Has the minister any explanation why Brandon has such a low death rate and Three Rivers such a high one? My figures, which are for the last year, are 43 and 239 respectively, so there has been a slight improvement at Three Rivers, but it seems to me that there is a tremendous and unexplained discrepancy between these two cities. Brandon is practically a non-industrial, semi-rural city; on the other hand it may be said that it is in a distressed area; they have had some trouble about wheat. Could the minister give the committee any information?

Mr. MACKENZIE (Vancouver Centre): I should like to refer that question to hon. members belonging to the medical profession. Of course Brandon has an excellent climate; and Saskatchewan has the lowest tuberculosis deathrate among the Canadian provinces. I could not give a medical opinion as to the cause of the differential in the two cities mentioned by my hon. friend.

Mr. ADAMSON: The minister has no information as to the causes of these deaths?

Mr. MACKENZIE (Vancouver Centre): No.

Mr. ADAMSON: As to whether they were caused by, say, fever or tuberculosis?

Mr. MACKENZIE (Vancouver Centre): I have no information.

Mr. McIVOR: I was wondering what would happen to this vote if Canada had a thoroughly effective system of nationalization of medicine.

Mr. HANSON (York-Sunbury): I wish to ask the minister some questions about dental treatment for pensioned ex-service men. Under what heading does that item come?

Mr. MACKENZIE (Vancouver Centre): Under vote 230, care of patients, in the pensions branch of the department.

Mr. HANSON (York-Sunbury): Has that vote gone through?

Mr. MACKENZIE (Vancouver Centre): No; we have not touched it yet.

Mr. DOUGLAS (Weyburn): I understood the minister to say that under this vote a survey had been made in Manitoba.

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. DOUGLAS (Weyburn): Has that been published, or is it available?

Mr. MACKENZIE (Vancouver Centre): The survey was completed at the end of March, 1940. The report has not been published. It will be.

Mr. MARSHALL: The vote last year for this item was $27,340. What amount was actually spent and how was that money spent?

Mr. MACKENZIE (Vancouver Centre): There was spent $18,045.28, made up of the following items:

Advertising and publicity	$ 4,959 72
Sundries	88 33
Salaries	9,960 00
Transportation and travelling expenses	3,037 23
Total	$18,045 28

Mr. MARSHALL: I notice an item, professional and special services. Was anything paid out under that heading during the last year? The amount allotted, I see, was $4,000.

Mr. MACKENZIE (Vancouver Centre): Yes. I mentioned, I think at the outset, that there were two consulting committees. That vote is for travelling expenses, to bring them into Ottawa for consultation and conference.

Mr. FRASER (Peterborough West): Is instruction given as to how to take care of children? Has the branch any pamphlets or folders which are sent out?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. GERSHAW: I feel sure that if there is included in this vote any activity which would in any way lessen child or maternal mortality, no one in Canada, least of all the minister, would want to have the vote reduced. I would point out that, among other provinces, Alberta, the one I am acquainted with, has taken a forward step in working along health lines, providing, for infantile paralysis and for tubercular cases, free treatment and free hospitalization, and so has accomplished a great deal. As regards maternal mortality a real effort has been made to increase the number of cases which are hospitalized. I feel sure that as the number treated in hospitals increases, the mortality rate will decline. In my view, economic conditions in the homes of the people have a great influence on the mortality. No better illustration could be given than the one which was mentioned by the hon. member for Parry Sound. Five little children were able to survive, largely because of the special care they were given. I think that if the work of this department is cut down in any way that would affect its efficiency or deprive those who come under its benefits of the good they now receive, it would be a very great mistake.

Mr. HANSON (York-Sunbury): I wonder how much this department did for those children. I thought Mr. Hepburn's department of health had taken special care of them. I thought his department did all the work.

Mr. MACKENZIE (Vancouver Centre): The only thing we have done for them has been through the advisory committee of which Doctor Dafoe is a member.

Mr. SLAGHT: In the early days Doctor Dafoe and the Red Cross society did excellent work.

Mr. HANSON (York-Sunbury): Why steal the credit from Ontario?

Mr. MacINNIS: What was included in the item that was in last year's estimates—$4,000 for professional and special services—which we have not this year? In regard to the reduction in transportation and travelling expenses, from $5,000 to $750, how will this affect the service that has been given under this head?

Mr. MACKENZIE (Vancouver Centre): The difference would be in the staff that we had in the Manitoba survey and that have returned to Ottawa.

Mr. MARSHALL: The minister says that two scientific advisory bodies have been working under this branch. Will it mean that the work of these bodies will be entirely eliminated, that there will be no need of their work in the future?

Mr. MACKENZIE (Vancouver Centre): That will be true until this vote is reestablished.

Mr. HANSELL: We pass a good many items during the session, and about the only value the opposition seems to have is to ask questions and bring out certain information. When it comes to voting on these items, the items carry—they all carry. We have the privilege of moving that any item be reduced, but it is entirely out of order for us to move that an item be increased. What would the minister think of the suggestion that this

item be allowed to stand for the time being until he can consult his colleagues with a view to having the original amount restored so that there will be no cut in the estimate?

Mr. MACKENZIE (Vancouver Centre): I have no objection to having the item stand, but I have already tried the remedy mentioned in the last part of the hon. gentleman's remarks.

Mr. HATFIELD: A good deal of the work is being cut out. All advertising and special work is eliminated this year. Is that right?

Mr. MACKENZIE (Vancouver Centre): The entire staff for whom amounts are voted will be transferred immediately to other work in the department.

Item agreed to.

Health branch.

245. Epidemiology, $10,395.

Mr. HANSON (York-Sunbury): Is this vote in the same category?

Mr. MACKENZIE (Vancouver Centre): Yes; the work will not go on effectively this year. The functions performed by the head of the division are discontinued in order to conserve funds for war purposes. The position of chief is vacant and no appointment will be made until a larger vote is obtained.

Mr. HANSON (York-Sunbury): Of what do those functions consist?

Mr. MACKENZIE (Vancouver Centre): In cooperation with the provinces and the municipal departments or boards of health in the control of tuberculosis and venereal diseases.

Mr. DOUGLAS (Weyburn): Is the work concerned only with those diseases?

Mr. MACKENZIE (Vancouver Centre): No; all communicable diseases.

Mr. DOUGLAS (Weyburn): There are other epidemics than these. Does this division do research work in connection with all of them?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. DOUGLAS (Weyburn): The minister speaks of war expenditures; this might come under that head. We know that during or after every great war in history epidemics have been widespread. Most of us remember the influenza epidemic during the last war, and it has been said that as many people have died from epidemics during wars as have been killed in battle. Work of this type ought to go on, and the government should retain men in positions where they can check the growth and development of epidemics and, if possible, prevent or at any rate reduce diseases to a minimum.

Mr. MACKENZIE (Vancouver Centre): We would hope to use the entire staff of the laboratory of hygiene which is doing work similar to that carried out by this branch.

Mr. DOUGLAS (Weyburn): The work will be carried on?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. MARSHALL: In the report for the year ended March 31, 1939, I find that certain investigations were made in connection with encephalomyelitis.

Mr. MACKENZIE (Vancouver Centre): At what page of the report?

Mr. MARSHALL: Page 149. Reports have been received of several suspected human cases in Manitoba, Saskatchewan and Alberta. Has the minister any information in that regard?

Mr. MACKENZIE (Vancouver Centre): I have no information at the moment, but I shall be glad to look into the matter and reply to my hon. friend on another occasion.

Mr. GREEN: To what work in the department are these staffs being switched? Apparently there are some branches of the department that are doing more work than formerly, the staffs of which are being increased.

Mr. MACKENZIE (Vancouver Centre): Some have gone to national defence and others to various other branches, but all are doing work definitely related to war activities. I cannot make a general reply to the question, but I shall be glad to file a list of those transferred to new duties.

Mr. GREEN: Are they being transferred to new duties in the department of pensions?

Mr. MACKENZIE (Vancouver Centre): Partly, yes, and some to other departments.

Mr. GREEN: It would be interesting to know to what work they have gone.

Mr. MACKENZIE (Vancouver Centre): I shall be glad to give that.

Mr. MARSHALL: The amount last year was $19,810. How much was spent?

Mr. MACKENZIE (Vancouver Centre): The expenditure was $14,084.77, made up as follows:

Telephones, telegrams and postage	$ 1 05
Equipment	2,539 80
Sundries	931 16
Salaries	8,899 52
Transportation, travelling expenses	1,713 24

Mr. ADAMSON: The chief reason for this would be to cooperate with such provincial departments as the Connaught laboratories in Toronto?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. ADAMSON: They are still carrying on?

Mr. MACKENZIE (Vancouver Centre): Yes. We can carry on the functions we are abandoning in this particular branch. We can do it largely through our laboratory of hygiene.

Mr. ADAMSON: The dominion laboratory is being done away with?

Mr. MACKENZIE (Vancouver Centre): No; the laboratory of hygiene will carry on.

Mr. FRASER (Peterborough West): Has the minister on hand the folders and pamphlets that are sent out, if they are asked for?

Mr. MACKENZIE (Vancouver Centre): We hope to continue the publications.

Item agreed to.

Health branch.
246. Public health engineering, $34,860.

Mr. MacNICOL: What does public health engineering embrace? Every city has sanitary engineers and a raft of other engineers, and every county and province the same. The dominion also has many engineers in connection with public health engineering. What do they do?

Mr. MACKENZIE (Vancouver Centre): This item is almost entirely concerned with international obligations. It is for the enforcement of regulations approved by orders in council as follows:

P.C. 1091, June 19, 1923.
P.C. 417, February 25, 1930.
P.C. 475, March 9, 1937.
P.C. 2295, September 22, 1937.

These are regulations concerning ice and water intended to be used for drinking and culinary purposes on vessels navigating on the great lakes and inland waters of Canada, on common carriers engaged in interprovincial and international traffic, as well as on common carriers engaged in trade on the coast of Canada, in addition to regulations and requirements for the supervision of shucking, handling and shipping scallop meat and the taking, handling, packing and shucking of shellfish.

[Mr. Ian Mackenzie.]

It provides for the administration of the Public Works Health Act and the enforcement of the regulations thereunder for the preservation of health and mitigation of disease among persons employed on the construction of public works (P.C. 416).

It also provides for the supervision of sanitation on common carriers engaged in interprovincial and international traffic as well as in mining settlements and trading post areas in the northwest territories, also in national parks and summer camps situated on dominion lands, and also for purposes of cooperation with the provincial departments of health, the United States public health service and other federal government agencies in matters of sanitation, pollution of boundary waters, and so on.

Mr. HANSON (York-Sunbury): If those are the functions of this branch I suggest that seven men simply cannot do it, and that this is just a gesture. The staff consists of one chief sanitary engineer, three sanitary engineers, one junior engineer, one chemist, one stenographer, and some temporary assistance. It covers from the Atlantic to the Pacific and from the forty-ninth parallel to the north pole. I suggest that the work simply cannot be done with this staff. As a matter of fact, all the public health engineering in this country is done by the provinces and the municipalities. We have plumbing inspection and examinations and all that sort of thing in all the cities and towns. I would not suppose that this branch could begin to touch one-tenth of the services the minister has enumerated. I suggest that it be abolished.

Under this heading may I discuss another matter with the minister because I do not know where else it would come? Some time ago this department forwarded to the provinces, including New Brunswick, a sum of money to assist in defraying expenses in connection with air raid precautions. If the minister would prefer to discuss this matter under another heading I should be glad to drop it for the moment.

Mr. MACKENZIE (Vancouver Centre): I have not the material relating to it at hand at the moment. I have the complete data available but would prefer to discuss it later.

Mr. HANSON (York-Sunbury): It seemed to me that air raid precautions would be relevant to public health engineering.

Mr. MACKENZIE (Vancouver Centre): In fact it comes under war appropriations, but I shall be glad to discuss it under any future item.

Mr. HANSON (York-Sunbury): I shall make a further statement. The sum of $5,000 was sent by the department to the province of New Brunswick.

Mr. MACKENZIE (Vancouver Centre): To four of the provinces.

Mr. HANSON (York-Sunbury): New Brunswick was one. They did not know what to do with it; they did not ask for it; they have had no applications under it; the money is on deposit with the provincial treasurer pending receipt of claims from any municipalities that may have done something about the matter or taken steps to protect themselves. As far as I am aware, no municipality has made any such application, and I suggest to the minister that he get the money back just as quickly as he can.

Mr. MACKENZIE (Vancouver Centre): I can give my hon. friend complete details later on, but at the moment I may tell him that every cent of the money sent to any of these four provinces must be rigidly accounted for by auditors for the province and auditors of the dominion government.

In regard to my hon. friend's remark that this branch should be abolished, I may tell him that we could not export any shellfish to the United States unless they were certified by this department, so that if his suggestion were carried out, some difficulty might be occasioned to the maritime provinces.

Mr. GREEN: Have any steps been taken yet to work out air raid precautions in the other five provinces, namely, Quebec, Ontario, Manitoba, Saskatchewan and Alberta?

Mr. MACKENZIE (Vancouver Centre): We discussed this matter thoroughly on a former item under war appropriations, but I have no objection whatever to answering the question. At that time I explained thoroughly that the procedure adopted had been that the Department of National Defence had indicated to the Department of Pensions and National Health, the areas in Canada which they considered vulnerable, and where in the opinion of military experts air raid precautions should be taken. That is the advice which was followed a year ago when preparations were made in four of the nine provinces.

Mr. GREEN: Much has happened in the last year.

Mr. MACKENZIE (Vancouver Centre): Yes, I agree. Since then, certain requests have come from Ontario which are now being considered, and no doubt extension of the work will take place as soon as possible.

Mr. GREEN: When the minister's estimates were up some weeks ago, there was some discussion about findings on examination of recruits for the active service force, and I understood at that time that either he or the Minister of National Defence would give the committee a report as to those findings from the medical point of view. Can we have that report now?

Mr. MACKENZIE (Vancouver Centre): It does not come under this department, as my hon. friend knows. I spoke to the late Minister of National Defence about it either that evening or the next morning, and he promised to have that information available when the estimates of the Department of National Defence were before the committee.

Mr. GREEN: Could the minister get that information and present it under his own estimates?

Mr. MACKENZIE (Vancouver Centre): It is not in my department, but I shall be glad to try to obtain the information either myself before my estimates are through or through my colleague.

Mr. FRASER (Peterborough West): The minister mentioned inland navigable waters. Does that include canals?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. FRASER (Peterborough West): And the department has inspectors who look after the pollution of those waters?

Mr. MACKENZIE (Vancouver Centre): Yes.

Mr. FRASER (Peterborough West): I wanted to know that because the Ontario board have passed the buck to the dominion government.

Item agreed to.

Health branch.

247. Publicity and health education, $7,950.

Mr. BLACK (Yukon): What is meant by this item? Who gets the education and the publicity?

Mr. MACKENZIE (Vancouver Centre): This is another department which unfortunately suffers this year as a result of the economies effected, and its work will disappear and its officers will be transferred either to other departments or to other branches of this department. Its work, generally speaking, was issuing pamphlets on health matters, cooperating with the voluntary health organizations throughout Canada and doing any publicity work for the department that might be required from time to time.

Mr. BLACK (Yukon): I should like to call the minister's attention to a case in which perhaps a little more publicity and a little more education would have got better results. It was the case of a chiropractor, the first one who had ever found his way to the Yukon. With a great deal of satisfaction to the people who came in contact with him, he undertook to carry on his profession. A letter was sent by the officer commanding the mounted police in the Yukon to the headquarters of the mounted police in Ottawa informing them that this chiropractor had begun practice in the Yukon, and that neither the controller of the territory nor any of the local doctors wished to have an information laid against him.

In view of the fact that there had been so much controversy in the provinces regarding the profession, instructions had been requested as to whether or not action was to be taken against this man. At any rate that showed that the man in question was not offending the public. Before taking action the officer commanding the mounted police asked for advice.

In this instance we have an example of a little knowledge being a dangerous thing, and there is evidence of misplaced authority. The director of Yukon affairs wrote the commissioner of the mounted police telling him that he had referred the matter to their legal officer, and had discussed the matter with Doctor J. J. Heagerty of the Department of Pensions and National Health, and that Doctor Heagerty had explained that a man carrying on a practice as a chiropractor in an outlying district such as the Yukon territory might do irreparable harm, owing to the fact that there are not many qualified doctors in the vicinity who might correct any missteps made by the chiropractor. He stated furthermore that chiropractors in the Yukon would not be under the surveillance of the medical profession and the authorities, as they are in the provinces. It was stated that in the opinion of the Department of Pensions and National Health the Yukon medical ordinance should be enforced.

I doubt if the Minister of Pensions and National Health was ever asked about this matter, or ever knew what was going on. The director of Yukon affairs said of the communication from the department of health: "It means that J. L. Curry should be prosecuted for every breach of the ordinance." It is stated that there are not many qualified doctors in the vicinity. My reply to that is that there are just as many qualified doctors per capita in the Yukon as there are anywhere else in Canada, and that in that country we have a perfectly well qualified medical health officer to look after the health of our people, and affairs of that sort.

I should think it fortunate there are not many such medical men in the Department of Pensions and National Health as the one I have mentioned. Certainly, if it were so, people would not be so safe. The chiropractor in his practice was not violating any ordinance. There was no territorial act dealing with that profession, and in the practising of it he could not possibly violate any law. Certainly he was doing nothing in violation of the medical ordinance.

On the advice of Doctor Heagerty the man was prosecuted. Knowing the feeling of the people in the territory, realizing that no law was being violated, and presuming that the mounted police were prosecuting, I telegraphed the commissioner of the mounted police at Ottawa asking that the case be postponed until the judge of the supreme court, who was out of the Yukon on his vacation, might come back. I objected to the officer commanding the mounted police who had worked up the prosecution against the accused, sitting as a judge and jury and trying the case. As I said to him, "My experience has been that you are an entirely just and fair man, but it is beyond human nature to give a fair trial when you have worked up evidence against the accused, and have made up your mind before the case begins that the accused man is guilty." The officer commanding the mounted police agreed with me, and declined to go on with the case.

Before that, my telegram asking for time had been sent to Ottawa, and this same Doctor Heagerty went on record as saying that the prosecution must not be postponed, and that they must proceed against this man to the full limit of the law. As I say, there was no law governing the case at all.

Mr. MACKENZIE (Vancouver Centre): What was the date of the telegram?

Mr. HANSON (York-Sunbury): There was no mercy for the chiropractor.

Mr. BLACK (Yukon): The telegram was sent on April 16, 1940, and the reply came back from the commissioner of the mounted police to the commanding officer in the Yukon, stating:

> Advise Captain Black, Department of Pensions and National Health which authorized the prosecution of Curry, chiropractor, refuse to approve postponement of prosecution.

The mounted police officer was fair enough to postpone the proceedings, and I am happy to be in a position to tell the minister that

the local legislature in the Yukon has since passed an ordinance allowing the man to practice.

I suggest that some of this item for publicity and health education should be expended in educating some of the people in the minister's department, because if ever there were an exhibition of ignorance, certainly it was from the man who handled this case.

Mr. HANSON (York-Sunbury): It was not ignorance; it was prejudice.

Mr. MACKENZIE (Vancouver Centre): I have no fault to find with the presentation of the case. The fact remains, however, that at the time in question there was an ordinance respecting the profession of medicine and surgery in the Yukon. I would point out also that this gentleman did apply for a licence to practise, and was refused. The law as it then stood had to be respected, whether or not we agreed with it. Officers of the department knew at that time that the territorial council was considering an amendment along the lines now mentioned by the hon. member. As the hon. member knows, these matters have caused great controversy in every province of the dominion. But so long as the medical act or the medical ordinances in a province or territory are not amended to make provision for the practise of chiropractic, the law as it stands must be enforced.

Mr. BLACK (Yukon): The minister has answered my objection, through his own remarks. There was no law under which the man could be licensed, and in practising without a licence, he was not violating any law. He was not doing anything to break the law respecting medical men and surgeons. He was not holding himself out as being able to heal. It was a profession by itself, quite separate and apart from the medical profession.

Mr. CHURCH: Up to about two years ago this department was spending only about $400,000 for the public health of 10,500,000 people, while about $3,500,000 was being spent on the care and health of animals. We now have before us an item for publicity and health education. I say there is a principle which should be followed in connection with this matter of publicity. There was a time when the federal government was spending ten times as much on the health of animals, through votes in the Department of Agriculture. It will be noticed that items now appear under the Department of Pensions and National Health which formerly appeared in other departments. For instance, in this total of $955,375 we find an item for grants to institutions assisting sailors which, in former years, came under another department.

I object to the principle of parliament placing back on the shoulders of the municipalities responsibility for public health work such as was done by the great Doctor Hastings in one city, a work which has spread across the Dominion of Canada. The first duty of the federal government is to look after the health, peace, happiness and comforts of its citizens. In connection with health work there should be concurrent jurisdiction among dominion, provincial and municipal authorities. At the present time, however, the whole burden is on the municipalities. Necessity for the care of unfortunates, the sick, and those who require hospitalization, relief and other aid has grown out of the social crisis we have had in Canada. Instead of spending $4,500,000 on the League of Nations and $1,500,000 on embassies, those sums might very well be transferred to the Department of Pensions and National Health, so that public health measures would be given a chance.

One of the most able public health authorities is now sitting in front of the minister. Unfortunately, however, for many years he has had only a skeleton department under his care. The medical profession has been asking parliament to do something for a real national health department under him. I hope that the matter will be surveyed carefully, and that more relief will be given the municipalities along the lines I have indicated, to help them take care of health and hospitalization.

Mr. HANSELL: I notice that this vote is reduced by two-thirds. The details on page 158 of the estimates show a director of publicity, $2,730; a publicity assistant, $1,740; a clerk, grade 2, $1,380 and a stenographer, grade 2, $1,380. The total salaries amount to $7,950, the amount of this vote. There is a reduction in four items. Last year the vote for advertising and publicity was $10,000; this year there is nothing. Last year the vote for telegrams and postage was $500; this year there is nothing. Apparently there is to be no advertising and publicity carried on, and no telephone calls made or telegrams and letters sent out. The vote for sundries last year amounted to $2,000; this year nothing is voted for sundries. Last year the vote for transportation and travelling expenses amounted to $3,000; this year there is no vote. Apparently this staff is not going to travel, and yet the four members of the staff are to receive increases in salary. It looks as though they are to receive increases for doing nothing. I should like to know what this branch is to

do when the votes for publicity have been eliminated. It looks as though this staff is going to be kept on to do nothing.

Mr. MACKENZIE (Vancouver Centre): I thought I had explained, but evidently I had not. The work of this branch is being discontinued for the time being. The work previously carried on by the branch will be divided among various other branches of the department of health. I understand the director of publicity is joining the service, and the other members of the branch will be used in different capacities in other branches.

Mr. HANSON (York-Sunbury): There is a question which I should like to ask and which perhaps I may ask under this item. I understand that since the declaration of war various organizations have been pressing the government, and perhaps the minister, to arrange for the blood typing of citizens living in those areas which may be vulnerable to attack. This would be a precautionary measure and would enable the officials to have available the proper blood for transfusions in the event of mass attack and consequent injuries. It is said that in England the government has issued an appeal to citizens to be blood typed for transfusions as an air raid precautionary measure. This would seem to be a reasonable measure to apply in Canada, at least along the Atlantic coast. It is one which should be sponsored by this department as a national effort. Has any action been taken in this regard, and is the matter being considered?

Mr. MACKENZIE (Vancouver Centre): I understand that the whole question was discussed before the associate committee on medical research, and I understand further that no definite representations have been made to the department to undertake the work mentioned by my hon. friend. Certain experiments have been carried on by the Connaught laboratories in Toronto.

Mr. HANSON (York-Sunbury): It is still up in the air.

Mr. MARSHALL: Is it not a fact that this branch has not been functioning for at least two years? The auditor general's report for the year ended March 31, 1939, shows that out of a vote of $17,024 there was spent $6,965. What amount was actually spent last year of the vote of $22,490?

Mr. MACKENZIE (Vancouver Centre): I do not think the report from which my hon. friend is reading refers to that period. This branch was not fully established at that time; it was only established in 1937, so the expenditures for the next year would not all be included in the report.

[Mr. Hansell.]

Mr. MARSHALL: This is the auditor general's report for the year ended March 31, 1939, and it shows a vote for publicity and health education, $17,024, of which only $6,965 was spent.

Mr. MACKENZIE (Vancouver Centre): The expenditures last year amounted to $15,632.94.

Mr. MARSHALL: Would the minister break down that figure?

Mr. MACKENZIE (Vancouver Centre): The figures are:

Advertising and publicity.....	$ 8,874 52
Telephones, telegrams and postage	15 93
Sundries	897 84
Salaries	5,287 01
Transportation and travelling expenses	557 64
	$15,632 94

Mr. ADAMSON: If the work of this branch is to be eliminated this year, why should we continue to pay the salaries of the officials?

Mr. MACKENZIE (Vancouver Centre): The work will be carried on by other branches. The director is joining the service; the assistant is on loan to the Department of National Defence; the position of clerk, grade 2, is vacant, and the stenographer has been transferred to the air service. Every member of the branch has been loaned to a new branch or to another department.

Mr. HANSELL: I do not quite understand why we should have these expenditures if the people are not to be there to do the work.

Mr. MACKENZIE (Vancouver Centre): A large part of the year had elapsed before parliament had made financial provision.

Item agreed to.

Mr. NEILL: Before another item is called I should like to raise a point of order. I have no objection to the minister continuing with his items, but I would point out that this is all entirely out of order. From time immemorial the custom has been to tell us the night before what we are going to take up the next day. We cannot all be present all the time, and when we know what is coming up we can make it our business to be here if we are interested. We were not told that we would be taking up Pensions or Agriculture; we were told we would be taking up Labour and the Department of the Secretary of State. I have no objection to continuing with the estimates of the Department of Agriculture, but I would point out that it is not keeping faith with the house. This sort of thing will make trouble, and I hope the minister will understand. The alternative is for those of us

who do not like this sort of thing to see that not a single item passes when the wrong department is taken up. This is not the first time this has happened, although I do not say it has happened with the minister himself.

Mr. CRERAR: I have no objection to make to the protest raised by the hon. member for Comox-Alberni (Mr. Neill). On Friday evening I announced the business for to-day, and at that time it was expected that the Minister of Finance (Mr. Ilsley) would be able to be in committee this evening. He found to-day that he was unable to be present; as a matter of fact, he is out delivering a speech in connection with the sale of war savings certificates. This morning the matter was taken up with the whips and it was agreed that we might go on with the Department of Agriculture. We intended taking up this department earlier in the evening, but the Minister of Agriculture (Mr. Gardiner) had an engagement from eight o'clock until nine. I spoke to the leader of the opposition (Mr. Hanson) before six o'clock and asked if he had any objection to our taking up Pensions and National Health for an hour, and he said he had not. I did not think any objection would be raised otherwise. As I have said, I do not object to the protest which my hon. friend has raised, but I do want to say that in these strenuous days it is not always easy to plot the work of the house even twenty-four hours ahead. We shall take due note of the objection made by the hon. member for Comox-Alberni, and in future we shall endeavour to announce sufficient work to the house to keep it within that range on the following day.

Mr. NEILL: It would have been quite easy to make the announcement at three o'clock; then we would have had notice.

Mr. CRERAR: I stand rebuked, and I accept it.

Mr. HANSON (York-Sunbury): I think this will have cleared the air. I was quite agreeable to accommodating the ministry in connection with any of its estimates, but we ought to have a little notice. My hon. friend the whip here did not tell his leader of the change, and I did not object. While I am on my feet, let me ask the hon. gentleman who is leading the house when he is going to bring down the Fisheries estimates. Is he going to wait until the last hour of the last day? If so, I protest now in advance.

Mr. CRERAR: No; we shall give my hon. friend plenty of notice of the Fisheries estimates and there will be plenty of time to discuss them.

Mr. MACKENZIE (Vancouver Centre): In deference to the hon. member for Comox-Alberni I yield with grace to my colleague the Minister of Agriculture.

DEPARTMENT OF AGRICULTURE

Production service.

16. Health of animals—Administration of Animal Contagious Diseases Act and Meat and Canned Foods Act, $1,652,495.

Mr. GRAYDON: I have no desire to delay the Minister of Agriculture unduly in the passing of his estimates, but there is one matter which I think in all fairness should be brought before the committee and the country generally because it indicates an alarming state of disease existent among the hog population of Canada at the present time.

During the session I had occasion to put a question on the order paper with reference to this subject, and question and answer appear at page 732 of *Hansard* of June 13, 1940. The answer indicates an alarming increase in Canada in deaths among hogs from hog cholera. The answer of the department showed that during the fiscal year 1936-37 the number of hogs slaughtered was 100; in 1937-38, five hogs only were slaughtered because of hog cholera; in 1938-39, according to departmental records no losses were sustained. So, in those three fiscal years from 1936 to 1939, ending on March 31, 1940, there was only a total of 105 hogs slaughtered for hog cholera, but during the fiscal year 1939-40 the records show that the number of hogs slaughtered in the dominion from that cause rose to almost 8,000, the actual figure being 7,978. The amount of compensation which had to be paid by virtue of this slaughter at governmental direction reached the high figure of $52,222. In addition, the figures which are available for the month of April, 1940, indicate that the ravages of this disease have not abated, because in the month of April, 636 of our hog population were ordered slaughtered by the government because of the same disease. The records were not complete at that time for the month of May, but they showed for the first few days of May thirty-nine hogs slaughtered for the same reason.

Those interested in agriculture regard this as an alarming development in our hog industry. There are many farmers who, rightly or wrongly, feel that perhaps the increased importations of United States pork during that period may have had some direct or indirect bearing upon the increase in hog cholera deaths in Canada. I think the minister to-night might well deal to some extent with this problem which is causing many of our farmers great concern. It is at least coincidental that with these greatly increased imports of United

States pork there should be a rapid rise in deaths from hog cholera and in the increased compensation which had to be paid by the government.

We have in my own county a very important and valuable hog industry. One of the main hog breeders there is the son of a former member of this House of Commons, and he is perhaps one of the most outstanding hog breeders in the whole dominion. Since I was a small boy on the farm this is the first time I have known hog cholera to any alarming extent on the farms of my county, but during the last few months cases have come to my notice, as they must have done to other members representing agricultural constituencies, and I think the feeling of alarm which exists among our farmers to-day calls for some explanation from the minister and the department, first of all, as to what is the cause of the increase in the deathrate among hogs, and, second, as to what steps are being taken to cope with the situation as it exists to-day.

Hon. J. G. GARDINER (Minister of Agriculture): Mr. Chairman, it will be very difficult, I think, to prove that the increased importation of hog meat from the United States has been responsible for the greater development of hog cholera in Canada in recent months. But I think it can be shown that on occasions when there has been considerable hog meat imported into Canada while hog cholera has at the same time been prevalent in the United States, there has been a tendency towards a greater development of hog cholera in Canada. One might assume from that, that increased importations from the United States have something to do with the matter.

In order to indicate to the committee the difference in Canada as compared with the United States I shall quote a short extract from an item that appeared in the *Veterinary* magazine, which is published in Chicago. In its May issue of 1940 it says:

> Hog cholera cost Canada $175 per 1,000,000 hogs in 1932. In the same year it cost the United States $500,000 per 1,000,000 hogs. Canada uses the slaughter method for control of hog cholera. In the United States we permit the farmer vaccination.

In that item there is one reason given by this journal published in the United States why there is less hog cholera prevalent in Canada than in the United States. I understand that the precautions which have been taken as a result of the recent outbreak of cholera are in the form of quarantine. That is, the district where there has been the greatest outbreak of hog cholera has been quarantined, and an effort has been made within that quarantined area to stamp out the hog cholera.

I do not think I should say anything further with regard to the possibility of the disease being imported into this country from the United States. I only wish to state that the department is putting forth every effort possible to see that there is no further spread of it as a result of that importation or of any importation which will take place.

Mr. BROOKS: In that connection, what is the extent of the hog cholera in Canada? Does it extend to all the provinces, or is it confined to certain centres?

Mr. GARDINER: There have been no outbreaks in the west. There have been outbreaks in all the eastern provinces, I believe, with the exception of Prince Edward Island.

Mr. GRAYDON: Would that indicate anything with regard to importations of pork from the United States? Has the minister any knowledge of whether there were heavier importations into those areas where the cholera outbreak was more severe?

Mr. GARDINER: Naturally there would be some importations into the eastern provinces, and more particularly into Ontario. I think it is generally believed by authorities that the large importation of United States hog meat into certain centres of Ontario has some relationship to this development. I think I can go that far. In western Canada the only section to which there would be large importations of United States hog meat would be the city of Winnipeg.

Mr. BROOKS: Do we import many live hogs?

Mr. GARDINER: No, there are no importations. There is an embargo on live hogs because of hog cholera.

Mr. NICHOLSON: Three years ago a number of horses died of encephalomyelitis. At that time there was an impression that there might be some causal connection between the disease and the dry season, but two years ago we had quite a large number of casualties in a season when it was established that dry weather had nothing to do with the deaths. I wonder whether the minister has any information as to the cause or as to successful methods of dealing with this disease among horses.

Mr. GARDINER: It is a disease which, I understand, goes in cycles. I believe those of us who have been associated with farming have experienced that. From time to time this disease does break out among horses, but it is difficult to tell just why it breaks out at

certain times. My information is that a dry period does not necessarily cause it. I do not think there is any real reason for believing that it does. The fighting of this disease has been left largely to the provinces. We have assisted in every way that we could, in giving help through our officials, and in providing the vaccine which is used quite successfully in combating the disease.

Mr. NICHOLSON: I understand that a number of farmers have lost hogs this last year from a disease which resembles encephalomyelitis among horses. Has the minister any information as to whether this disease has affected hogs?

Mr. GARDINER: We have no record that this disease has affected hogs. I know from my own experience that some farmers in the area where the horse disease prevailed last year think the disease from which their hogs have been dying resembles the disease which the horses had, but we have no information to indicate that this is true.

Mr. PERLEY: Is it not a fact that in Saskatchewan, where last year this horse disease was quite prevalent, there are not nearly so many cases this year, but in a few districts there has been a fresh outbreak?

Mr. GARDINER: I understand that there is no place where there has been a greater outbreak than there was last year. The number of cases was comparatively few this year compared with last year.

Mr. PERLEY: Would the minister explain, in connection with the details of this item on page 67 of the estimates, the reason for the number of inspectors? I have a return which shows that in Saskatchewan there are 51 veterinary inspectors. Is the reason for the large number of inspectors in Saskatchewan, compared with other western provinces as well as the eastern provinces, that certain animal diseases other than hog cholera are more prevalent in that province than in the others?

Mr. GARDINER: There is not an increase, though. There are 51 inspectors this year. How does that compare with previous years, according to the return?

Mr. PERLEY: I have not the list here.

Mr. GARDINER: I understand from the officials here that there has not been any great increase in the number of inspectors, but that the numbers have remained the same for a considerable time. Many of these men are meat inspectors.

Mr. BROOKS: A great many horses are sent from western Canada to eastern Canada. Are they thoroughly inspected before they are shipped to the eastern provinces? I know a great deal of disease is found among them after they reach their destinations.

Mr. GARDINER: I am informed that there is nothing to suggest that this disease is carried by horses from one place to another. The horses are inspected, if at all, in the stock yards as they are passing through; and then, I would think, only upon the request of the person who is shipping them.

Mr. BROOKS: The question was whether diseased horses were allowed to be sent out of one province to another?

Mr. GARDINER: No. When they show symptoms of this disease, it would be impossible to have them travel.

Mr. BROOKS: Or of any other disease?

Mr. GARDINER: They stagger round and fall down. It is what we sometimes call blind staggers.

Mr. GRAYDON: Under the provisions or perhaps under the regulations of the Animal Contagious Diseases Act, provision is made for permitting the cooking of raw garbage to be fed to pigs, and a number of such permits have been issued by the department to various places throughout the dominion. I can quite conceive of the difficulties which confront departmental officials in connection with the issuance of these permits, because in many parts of the province from which I come, the piggeries that are operating are, to say the least and to put it charitably, not in convenient places so far as the general public are concerned. Will the minister give the committee some information as to whether any permits have been issued for this purpose during the past year?

Mr. GARDINER: There were 640 licences issued last year. The issue of them is going on continuously. I would not be inclined to say that the regulations are for the purpose of permitting the feeding of garbage; they are rather to restrict the feeding of it. That is, the licence is necessary to feed garbage obtained elsewhere than on the premises, and all garbage must be thoroughly cooked if it is to be fed. That is the regulation, and inspections are made at irregular intervals. But control over a permit of that kind, it will be understood, cannot be absolute. The location is controlled often if not always by the local health officers, and that makes it perhaps rather more difficult for any other authority to interfere.

Mr. SENN: Does the outbreak of cholera among hogs in Ontario and other provinces occur more often among garbage fed hogs than others?

Mr. GARDINER: I understand that most of the outbreaks do start from areas where the hogs are fed with garbage, but the outbreak spreads into other areas round about.

Mr. HATFIELD: Is the minister considering an embargo against pork products from the United States as a means of stopping this spread?

Mr. GARDINER: There is now an embargo on live hogs. It would be difficult under the arrangements we have, which permit of animals of different kinds passing back and forth across the boundary line, to impose an absolute embargo against hog products, although we have an arrangement with the United States under which importations are restricted to a low level compared with the quantity coming in a short time ago.

Mr. NICHOLSON: I do not think the minister has caught the significance of the question asked by the hon. member for Qu'Appelle. There are 184 veterinary inspectors in Canada and fifty-seven of these are in Saskatchewan. Is it because there are more animal diseases in that province that we have this fairly large percentage there? Do the salaries provide for veterinaries on a full-time basis? The salaries range from $2,040 to $2,525.

Mr. GARDINER: I do not like to question the correctness of a return or an answer which no doubt came from my own department, but the officials in front of me are inclined to do so and we are looking up the information.

Mr. PERLEY: It is evident from the number of inspectors in our province that the animals are well looked after there. Can the minister give some information regarding the prevalence of tuberculosis in Saskatchewan and the results of the attempt to stamp out the disease? Is there any increase in the number of restricted areas? Are there more areas coming under the regulations each year in Saskatchewan?

Mr. GARDINER: Our records show that there are twenty-seven inspectors in Saskatchewan—both meat and field inspection.

Mr. PERLEY: Under the health of animals branch?

Mr. GARDINER: Yes.

Mr. PERLEY: The return shows fifty-one.

Mr. FAIR: How many inspectors are there in Alberta?

[Mr. Gardiner.]

Mr. GARDINER: There are twenty-nine.

Mr. QUELCH: What is the procedure when a tuberculosis-free area is declared an accredited area? An initial test is made, and where the infection is less than one-half of one per cent the area is declared an accredited area for three years; but what is the procedure when the infection is more than one-half of one per cent?

Mr. GARDINER: The practice is that where it is more than one-half of one per cent the tests are conducted yearly from the time the first test is made until there is a reduction to one-half of one per cent. At least that is the policy, although I must admit that we are not always able to carry it out. Sometimes there is a longer period than twelve months between inspections.

Mr. QUELCH: How many accredited areas are there in Canada and what has been the experience at the end of the three years? Has it been found that the animals were immune or has there been an increase? Further, what has been the disposition of the reactors? I understand they are destroyed, or they are shipped to the slaughter house. In the latter event, what happens to them? Are they used for human consumption under certain conditions?

Mr. GARDINER: The numbers of cattle in accredited areas, in round thousands, are: Prince Edward Island, 94,000; Nova Scotia, 73,000; New Brunswick, 230,000; Quebec, 456,000; Ontario, 328,000; Manitoba, 188,000; Saskatchewan, 131,000; Alberta, 9,973; British Columbia, 65,575. The reason why the number in Alberta is so low is that until last year that province refused to come under the policy. Last year they came under it and they have now 9,973 cattle in the inspected areas. There is a reason for that in Alberta. Some exception was taken in the ranching areas.

Mr. QUELCH: Was the modified test made last year for the first time in Canada?

Mr. GARDINER: Yes. It was used in the ranching area. It is a term that is employed in the United States and is applicable to the ranching area. Last year was the first time the test was introduced in Alberta. It was the first year the system was applied.

Mr. QUELCH: What happens to the reactors? I understand that last year a good many animals were shipped to the slaughter house.

Mr. GARDINER: The animals are slaughtered at the abattoirs under inspection.

The inspector sees to it that no part of the animal which is infected is allowed to be sold for human consumption, and if it is badly infected the whole animal is destroyed, which makes it impossible for these animals or parts of animals to become human food.

Mr. QUELCH: Is any infected stock made into tankage?

Mr. GARDINER: Yes.

Mr. QUELCH: Is there any danger through feeding this tankage to stock?

Mr. WRIGHT: What steps are taken in order to establish a tuberculosis-free area?

Mr. GARDINER: The first necessity is the signing of a petition by sixty-six per cent of the people of the municipality to have the test made. The next act is to apply to the provincial government. The provincial government then applies to the federal government. Then we pass the district for inspection, but inspection is not made until sufficient money is voted by this house to cover the different districts. Then the inspections are made in the order in which applications are received, or if not in that order it would be because our men may be working in one district and can reach another one more conveniently.

Mr. PERLEY: Would the minister give particulars in respect of the restricted areas and the number of accredited herds in Saskatchewan?

Mr. GARDINER: The accredited herds are as follows:

Province	Fully Accredited	In Process	Not Tested	Total
Manitoba	206	25	1	232
Saskatchewan.	143	12	4	159
Alberta	137	10	12	159
B.C.	104	4	6	114
P.E.I.	70	...	...	70
Nova Scotia...	62	9	...	71
New Brunswick	73	...	...	73
Quebec	1,725	34	35	1,794
Ontario	5,910	418	162	6,490

Mr. PERLEY: Will the minister give the restricted areas?

Mr. GARDINER: I have not the information here at present on which to base a complete answer.

Mr. PERLEY: I understand certain stock yards have been removed from restrictions with respect to tuberculosis. Will the minister give some information in respect of that? Is Winnipeg one of them?

Mr. GARDINER: The Winnipeg stock yard and the Toronto stock yard, I understand, are excepted from the area in which they are located, the reason being that they are through stock yards; that is, stock is passing through them from west to east, and from Canada to parts of the United States in transit. Therefore it is not considered advisable to have them made part of the area. But checks are made on any stock going out of those yards into tested areas.

Mr. NICHOLSON: I notice in the report for the year ended March 31, 1939, on page 95 mention is made of accredited herds, supervised herd plan and restricted areas. Would the minister explain the difference between those three plans, and the benefits to the farmers under the different schemes?

Mr. GARDINER: I should not like to give a general statement. I would rather get the information correctly.

Mr. FAIR: What is the latest report as to the efficiency of "chick" vaccine as a preventive of sleeping sickness?

Mr. GARDINER: The reports are that there have been excellent results from the use of "chick" vaccine.

Mr. FAIR: Is the minister aware of the fact that in some instances horses treated with this vaccine have died a few days later?

Mr. GARDINER: Yes, I am. I had one die after treatment.

Mr. FAIR: Is there any way to avoid that—smaller doses or something?

Mr. GARDINER: I understand the experience is that treatment is not helpful if the disease has advanced to a certain stage; in that case about fifty per cent of them die. The vaccine is useful as a preventive, not as treatment for the disease.

Mr. MARSHALL: My understanding is that most of the vaccine which is used to combat sleeping sickness is obtained from laboratories in California. Is it not possible to develop that vaccine in our own country and supply it to the farmers at a lower price than they have to pay for the vaccine from California?

Mr. GARDINER: The vaccine comes from a number of different points in the United States, including California and New York. We also produce a certain quantity of it in Canada; it is developed in Ontario, also in the west, at least at the university of Saskatchewan. The greater part of what has been used in the west, apart from what came from California and New York, has been produced at the university of Saskatchewan.

Mr. NICHOLSON: In connection with tuberculosis would the minister explain the

compensation paid to a farmer if it is necessary to slaughter his herd, and under which plan is compensation provided?

Mr. GARDINER: I have now the information which I thought a moment ago I did not have here. It is contained in a pamphlet which the department publishes under the name of "Bovine Tuberculosis." The accredited herd plan is outlined:

The object of this plan is the eradication of tuberculosis in pure bred breeding herds. These herds are tuberculin tested free of charge by salaried veterinary inspectors.

To be eligible for acceptance under this plan a herd must contain at least five pure bred cattle of one breed registered in the applicant's name. The number of pure breds must however comprise at least one-third of the total number of cattle in the herd.

As soon as the herd has passed two annual or three semi-annual tests, without a reactor, and contains at least ten registered pure breds, it is designated a "tuberculosis-free accredited herd."

Compensation is paid for reactors and is based on two-thirds of the valuation placed upon the animals by veterinary inspectors of the health of animals branch. The maximum amount of compensation permitted under the act is $100 for pure-breds and $40 for grades. Compensation on a pure-bred basis is not paid for reacting animals over six months of age not registered at the commencement of the tuberculin test. Animals affected with lump jaw and grade bulls must be slaughtered without compensation if they react to the test. All reactors must be slaughtered under federal inspection.

Then we have the supervised herd plan:

The supervised herd plan is a single herd policy applicable to grade herds irrespective of the number of pure-bred or grade animals they contain. No compensation is paid for reactors, but the owners receive whatever proceeds there may be from the salvage.

Owners placing their herds under this plan must agree to slaughter reactors, to promptly cleanse and disinfect their premises, and to keep their cattle from coming in contact with untested animals. If a herd sire is not maintained on the premises, breeding operations must be restricted to a tested animal.

Then follows the restricted area plan:

The object of this plan is the eradication of tuberculosis in definite areas. At least two-thirds of the cattle owners in any definite area must sign. . . .

I believe I gave the details in connection with this a moment ago. Then:

The following are some reasons for the establishment of restricted areas for the control of bovine tuberculosis:

1. It is the most practical and economical method for the department and for the live stock owner.

2. It permits of organized systematic work in testing cattle and the shipment of reactors by car lots—the least expensive method.

3. The greatest number of cattle can be tested in a given period.

[Mr. Nicholson.]

There follow about twenty reasons for the establishment of these districts as being superior over the other two plans for the treatment of tuberculosis.

Mr. SENN: I listened with a great deal of interest and attention to the minister's explanation why the government is not prepared, or why his department is not prepared at this particular time to place an embargo upon the importation of fresh pork, as a means of preventing the outbreaks of hog cholera. I believe all hon. members will agree that it is one of the worst diseases which can affect or attack our swine population not only in this but in any other country. It seems to me there is enough evidence on hand, while it may not be absolute, to indicate that the outbreaks of hog cholera which have been taking place in the past year at least, are due to importations of pork from the United States. Those importations may have serious results, because when hog cholera once infests a herd in a neighbourhood, there is a grave danger of the disease spreading.

There are certain restrictions immediately placed on such a neighbourhood. I know of one community where they hold a weekly sale of hogs or young pigs, but the sales have now been prohibited. There has recently been an outbreak of hog cholera in that particular district.

It seems to me there may be another ill effect. If the time should come when our hogs become too greatly infested with hog cholera, the British government might possibly prohibit the export of our bacon to the United Kingdom. That would have very serious effects indeed upon the hog industry in Canada. Of course that is only a possibility, but it seems to me it is sufficiently serious to warrant some action being taken. I am afraid that as long as we have importations of fresh pork or even of cured pork from the United States, there is great danger that outbreaks of hog cholera will continue.

It has been a recognized practice that where there have been outbreaks of animal diseases in a country, exports from that country have been prohibited. Under those circumstances it seems to me reasonable that importations of fresh pork from the United States should be prohibited at this time. I believe it would be well to try out the prohibition for a limited time, and if at the end of that time the outbreak of hog cholera has lessened or disappeared it would be an indication that the cause of the difficulty has been the importations about which we have been complaining..

A number of other diseases affecting animals in Canada are, it seems to me, serious. What success has the department had in connection

with the treatment of Bang's disease. For the last few years the government has been spending a large amount of money in the eradication of tuberculosis, but I am afraid the ravages of Bang's disease are even more serious than those of tuberculosis, but little is said about it. Very often owners of herds try to disguise it or to conceal it. I am convinced, however, that losses in herds throughout Ontario are far greater through the ravages of Bang's disease than through the ill effects of tuberculosis.

I know the department is doing good work in this connection, in trying to provide remedies for the disease. What progress is being made in that direction, and has any reasonably active remedy been found?

Mr. GARDINER: On the first question I would point out that the records show, as indicated by the figures given a few minutes ago by the hon. member for Peel, that this is not the first year in which we have had considerable hog cholera in Canada. If we go back over the years, it would appear that there have been some years when it was more prevalent than it has been in the present one. So far as I know, on previous occasions we have not placed an embargo on the importation of hog meat. For some time we have had an embargo on live hogs coming in. They must be held over for a period of thirty days in quarantine, at boundary points. That provision affects all hogs coming in, with the exception of those being shipped in for breeding purposes. They would be stock of considerable value.

In the matter of Bang's disease I would point out that we have been carrying on activities to prevent the spread of this disease, and have had some success in that regard. The dominion Department of Agriculture supplies antigen, or cultures if preferred, of a selected strain of organisms, accompanied by explanatory notes from the pathologists. These are supplied from time to time to persons in order to assist them in fighting the disease.

Sterile vials are supplied to veterinarians collecting blood samples. The department requires the tube agglutination method to be employed, and if an animal is positive in a dilution of one in fifty it cannot be certified for export. While the tube agglutination test is the official test, cooperating laboratories may, if they desire, employ, in addition to this test, the rapid method for the complement fixation test for check purposes, because it is often desirable to do so in questionable cases.

Then there are export tests. Blood samples are collected by veterinary inspectors and accredited veterinarians. The samples are forwarded to the nearest cooperating laboratory with the name and address of the veterinarian sending them. The test report, showing results marked positive or negative in stated dilutions, is forwarded direct to the inspector forwarding the samples. This enables the inspector to issue the formal export certificate with the least possible delay. The cooperating laboratory will return the serum bottles, after washing, to the animal diseases research institute at Hull, Quebec.

The conclusion after ten years' experimental work show, first, that age is an important factor in the permanency of reactions. Experiments over many years have shown that adult animals giving positive reactions do not recover and remain carriers of infection. Second, eighty-five per cent of young cattle giving positive reactions become negative, and only 2·6 per cent of adult cattle. It is consequently necessary in eradication measures to regard all adult cattle giving definite positive reactions as being permanently infected and to deal with them accordingly. Third, the majority of calves recover from infectious abortion if protected from reinfection. Fourth, approximately twenty-five per cent of infected adult animals fluctuate between positive and negative reactions.

Mr. SENN: Most cattle, breeding cattle particularly, leaving Canada for the United States must have a test for Bang's disease as well as for tuberculosis. I am glad to hear that some progress is being made in this connection, but the minister did not say that there is any serum or treatment which could be given to animals apart from isolation and certain other methods. I was just wondering if any progress had been made in the treatment of infected animals.

Mr. GARDINER: Experiments are being carried on all the time with regard to treatment. The regulations covering cattle going from this country to the United States state that all cattle, except steers, must be tested. If they react positively they are not permitted to enter the United States.

Mr. NICHOLSON: Are any penalties provided for the sale of infected cattle?

Mr. GARDINER: The only protection one would have would be a guarantee by the seller.

Mr. NICHOLSON: I understand there are instances where farmers have bought from neighbours cattle which have infected their whole herd. Is there no way to protect farmers from that sort of thing?

Mr. GARDINER: Any animal which has passed the final test is tattooed with a "B" in the ear. That is really the only protection that one has.

Mr. NICHOLSON: Would it be possible to provide a penalty for the sale of infected cows?

Mr. GARDINER: It would be quite difficult. Apart from those who have had their animals tested, there are few people who would know whether an animal had the disease.

Mr. GRAYDON: Has the department decided against the establishment of more accredited herds in tuberculosis-free areas?

Mr. GARDINER: No; there has been no decision as a matter of policy, but we have ceased to take on new herds as an economy measure due to the war.

Mr. WRIGHT: Would it be possible to establish regulations to forbid the importation of pork from areas in the United States where it was known that hog cholera existed? It seems to me that this would be an easy way of getting round this problem.

Mr. GARDINER: I am afraid that it would be difficult to trace hog meat to the particular area from which it had been shipped in the United States and establish that it had been shipped from an area where there was a greater prevalence of hog cholera.

Mr. WRIGHT: It could be left to the importer to establish that the area was free.

Mr. HATFIELD: I am sure that hog cholera is carried in the bacon rind, and I cannot see where it would do much good to place an embargo upon live hogs.

Mr. GARDINER: It is generally conceded that it is a good thing to prevent live hogs from coming into Canada from a country where hog cholera exists. I should not like to try to refute nor should I like to accept the statement that it comes in only in the bacon rind. I believe it is generally conceded that it can be carried in many other ways. I think we are probably giving too much time to the discussion of this matter, that is when considered in relation to its seriousness. After all, we sell for feed in Canada some three million hogs. Judging from the figures given a few moments ago there have been very few, comparatively speaking, suffering from hog cholera. During the past year there were not nearly as many as in some other years. In one year there were 34,779, which was the highest year since 1904. As was stated a moment ago, a year ago there was none; the year before that, only five; and the year before that, 100. I do not think the figures are sufficiently high to warrant our considering an embargo.

Mr. SENN: I can hardly agree with the minister when he says that this is not a serious problem. It seems to me that it is one of the most serious problems which has faced the hog industry in Canada for some time. It is true that the number of animals concerned has not been large in proportion to the total number marketed, but things might quite easily become worse. If they do become worse, they may have the most serious consequences.

The other night when this same item was up I said something about shipping fever. In the meantime the deputy has been kind enough to send me a pamphlet outlining some of the methods being followed to combat this disease. It seems to me that the remedies suggested are not sufficient and do not get to the root of the trouble. The genesis of shipping fever is the stock yard, the show rings and other places of that kind. A large proportion of the cattle being shipped from one part of the country to another enter stock yards before they are shipped out to other farmers to be fed. It is among this class of cattle that shipping fever is found most frequently. It might be well to provide some method of disinfecting the stock yards as well as the cars in which these cattle are shipped. Has that course been followed to any extent, because it seems to me that is the only way in which we can eventually stamp out the disease. As long as the disease is lying in these public buildings, it seems to me it will continue, and undoubtedly it is a real menace at the present time.

Mr. GARDINER: Stock yards are disinfected once or twice a year, as well as after every outbreak, but disease is not dealt with under the Animal Contagious Diseases Act. The shipper must employ his own veterinary to inoculate the animals. I do not think it would be possible for us this year, of all years, to undertake anything in addition to what we are already doing in connection with the health of animals. We are cutting down the vote rather than increasing it.

Mr. SENN: I quite appreciate the need for cutting down, but there are certain seasons of the year when cattle pass through eastern farms and through the stock yards of Ontario, and it seems to me this is the time and around show time, when the fairs are being held that precautions should be taken to disinfect not only the stock yards but the cars as well. I am only throwing that out as a suggestion to the minister and his officers.

Mr. PERLEY: I notice that the vote provides for the salaries of a great many inspectors, senior veterinary inspectors, junior veterinary inspectors, lay inspectors, junior lay inspectors. I have figured up the salaries of these inspectors and find that they amount

to $975,000 with expenses of $248,000. The total vote for this branch is $1,652,000, and the salaries and expenses of inspectors amount to $1,232,000. I would not complain very much of that if these were normal times, but they are not.

I notice there is a reduction of $65,000 in the item. The minister should see to it, now that we are at war, that a further reduction is made without reducing the efficiency of the branch or curtailing its services. A greater saving could be made at this time, especially in view of the large amount being voted for inspectors.

Mr. GARDINER: A department of this kind cannot work in any other way than through inspectors. If we cut out the inspectors we shall have to cut out the branch. The only way in which this work can be done is by making inspections on the farms. A veterinary inspector must go out, in connection with field work, and inspect on the farm, and if an inspection is to be made of animals that are being slaughtered, an inspector must go out and inspect the animals.

I would point out that eighty-two part-time inspectors have been cut off this year, in spite of the fact that in no other branch of the service have there been more applications for an increase in the work done by this branch. The hon. member for Haldimand (Mr. Senn), who has just spoken, has as a matter of fact made an application for an increase in the number of inspectors. The type of work he has been asking us to do could not be done except through an increase in the inspectional staff. That is the general demand made from all over the country. Some want inspectors to inspect hogs; inspections are wanted to be made in abattoirs; some want inspectors to inspect beef, to inspect the grading of beef, also to inspect the beef in order that it may be graded, and so forth. These demands are being made on the department all the time. The cutting-down of the vote by eighty-two part-time inspectors who have been taken off has resulted in any saving that is being made, and we can only cut down further by cutting down on the activities that are carried on by the department.

Mr. NICHOLSON: Some of the inspectors are engaged on a part-time basis. Is that true of the 184 for whom we are voting $155,000? I wonder on what basis these inspectors work.

Mr. GARDINER: The 184 are all full-time men.

Mr. NICHOLSON: Under what item do the part-time men come?

Mr. GARDINER: There are none this year. We struck them all off in order to save money. The part-time inspectors were veterinarians throughout the country who, in addition to their own practice, did some work for the government. Some of them have had to do with inspections in connection with anti-tuberculosis areas, others with cattle crossing the boundary line from the United States, and inspections generally having to do with the health of animals and the protection of the public against diseases of animals.

Mr. NICHOLSON: That means that these part-time men will not be employed at all by the department this year?

Mr. GARDINER: Not this year.

Mr. NICHOLSON: A number of them were doing very good work, and it is unfortunate that their services will not be available.

Mr. DIEFENAKER: How many part-time inspectors have been taken off the staff in Saskatchewan?

Mr. GARDINER: I have not the figures by provinces, but it is eighty-two for all Canada.

Mr. DIEFENBAKER: Were these eighty-two all the part-time inspectors we had?

Mr. GARDINER: I understand that there are only three others, and their work is entirely at the ports of entry through which stock comes.

Mr. MARSHALL: I notice that $76,073.63 of the vote for the previous year was not used. How much of the $1,717,981 voted for 1939-40 was used?

Mr. GARDINER: I understand the explanation is that we made provision for that amount last year, but we were not able to obtain the type of men required until late in the season, with the result that the full amount available was not used last year. It is partly due to the fact that we are cutting down on our expenditures.

Mr. MARSHALL: The minister is not in a position to give the actual amount spent of last year's vote of $1,717,981?

Mr. GARDINER: The amount spent was $1,681,550.

Mr. QUELCH: I am not sure that this is the right item on which to bring the matter up, but I understand that gophers have become infected with a very serious disease, bubonic plague, and that there is a real danger

of the disease being transmitted to human beings. Steps are being taken to bring about a 100 per cent extermination of the disease. What success has been achieved in exterminating the disease and what methods are being used?

Mr. GARDINER: I understand that the experiments in connection with that disease come under the Department of Pensions and National Health, and it would be well to ask the question when estimates of that department are up.

Mr. NICHOLSON: There is an increase for lay inspectors. Would the minister tell us something of their qualifications and of the work they do?

Mr. GARDINER: The lay inspectors are used in the packing houses and abattoirs. There have been some new ones opened up recently, one at Brandon I think. Inspectors will have to be put in there.

Mr. NICHOLSON: Have they special training?

Mr. GARDINER: No; the lay inspectors are not veterinarians; they do work in connection with disinfection.

Item agreed to.

Production service.

17. Compensation for animals slaughtered, $543,900.

Mr. SENN: There is quite a reduction in this item, necessarily so, I suppose. A number of areas in Ontario have passed all the necessary votes and proceedings to have restricted areas established; there are some of them in my own district. I have in mind the counties of Brant, Wentworth, Haldimand and Norfolk. Is it the intention of the department to complete the work which has been begun there, and also are any new projects under way?

Mr. GARDINER: We have stopped accepting counties or municipalities because we have now very many more than we can complete in two or three years, and we cannot see any advantage in accepting any others during the war period. We hope to be able to complete inspections in townships where such inspections have been started, but some of the counties we shall not be able to complete with the money which is available.

Mr. SENN: Could the minister indicate which counties they are?

Mr. GARDINER: I could not at the moment. The inspectors are working in quite a number of counties, some of which they may be able to complete. In other counties they will be able merely to continue the work in the townships where it has been started, but perhaps we shall have to hold them up for another year.

Mr. SENN: The reason why I ask the question is that I have had numerous questions asked me in the counties I have already mentioned—Norfolk, Brant, Haldimand and, I think, Wentworth, where the work has been started but not yet completed. The farmers there are anxious to know just what the intention of the department is as to operations this year, and if the minister could give the information and set the minds of these men at rest, it would be worth while.

Mr. CASTLEDEN: Could we get the break-down by provinces of the figures under item 17?

Mr. GARDINER: Answering the question of the hon. member for Haldimand, I notice that Haldimand county is not yet started. There are some 31,000 cattle in there which will have to be tested. I am afraid that we shall not be able to start testing in that county.

Mr. SENN: And Norfolk?

Mr. GARDINER: In Norfolk county there are 24,500 cattle to be tested, and 3,205 have been tested. That work could not be completed. I imagine in that county we would be able to complete only the townships in which we are now working.

Mr. SENN: What about Brant?

Mr. GARDINER: In Brant there are 26,745 cattle, and 16,415 have been tested. I should imagine that we would be able to go on pretty well with that work.

Mr. SENN: Is Wentworth county completed?

Mr. GARDINER: Wentworth county is not in the list I have here.

Mr. SENN: The work there has been commenced; I am pretty sure of that. It may have been completed.

Mr. GARDINER: It probably is. The list I have relates to work which is under way.

Mr. McNEVIN: I should like to bring to the attention of the minister one particular county, that of Haliburton. It has been gazetted now for over a year. There are in it probably 600 farmers and from 6,000 to 8,000 cattle. It is an area from which the sur-

rounding counties purchase large numbers of stock. If it would be possible to facilitate the work in a very small area like that, I believe it would probably simplify matters for a very large number of stockmen.

Mr. GARDINER: Haliburton county has 8,000 cattle in the area and none of them has yet been tested. In areas in Ontario which are now open for inspection there are 805,916 cattle that have not been tested, and the great majority of these will not be tested this year.

Mr. McNEVIN: The district is a stocker producing area, and it would be an advantage to the whole of that small area if that work could be undertaken.

Mr. GARDINER: I am afraid we have not the money this year to do that work. I am sorry I have not the break-down into provinces of the expenditures in the west.

Item agreed to.

Production service.

18. To provide for payment of compensation to owners of animals affected with diseases coming under the operation of the Animal Contagious Diseases Act, which have died or have been slaughtered under circumstances unprovided for under the above act and regulations thereunder, in the amounts detailed in the estimates, $1,077.33.

Mr. STIRLING: Why is this kept separate from the other items?

Mr. GARDINER: These are—largely—cattle which die of disease on the way to abattoirs, and compensation is made to the individual. When cattle are being shipped to slaughter houses to be destroyed, and they die on the way, the only way we can pay is by making special payments to the individual.

Mr. NICHOLSON: Would not the act provide for losses under these circumstances?

Mr. GARDINER: No; they are not provided for under the act. We have to make a special vote for that.

Item agreed to.

Production service.

19. Live stock and poultry, $711,257.55.

Mr. PERLEY: Would the minister give us some information as to the sire assistance policy, what is being done this year by way of assistance, particularly in Saskatchewan, and also at the same time would he have a word to say about the bull loaning policy?

Mr. GARDINER: Under the sire loan policy, that is bulls, fewer bulls will be purchased for loan under the bull loaning policy. The amount submitted has been sufficient to lend the usual support to the private spring sales, but does not provide funds for purchases at the public sales which will be held during March of the present fiscal year. We are cutting down on it to that extent. I have not the figures here with regard to the numbers supplied in the various provinces.

Mr. NICHOLSON: What is meant by the item "prizes, bonuses and premiums, $154,678"?

Mr. PERLEY: A reduction of $81,000.

Mr. GARDINER: They are:

Manitoba, bull rentals	$ 250
Junior live stock clubs	20,770
Projects in cooperation with provinces	3,000
Horse-breeding clubs	67,433
Federal-provincial stallion premiums	55,625
Breeding station assistance	7,000
Pure-bred mare syndicate	600

Mr. PERLEY: Where is the principal reduction there of $80,000?

Mr. GARDINER: The reductions are:

Ram premiums	$18,000
Goat	5,000
Poultry policies	3,300
Live stock extension projects	4,000
Horse breeding clubs	25,045
Federal-provincial stallion premiums	21,875
Breeding station assistance	2,000
Pure-bred mare syndicate representative	1,400

Mr. NICHOLSON: There is an item of $75,870 for record of performance inspectors, of whom forty-nine are employed. What work do they do?

Mr. GARDINER: That is record of performance in connection with dairy cattle, checking up on milk production and dairy fat contents of milk.

Mr. ROSS (Souris): Where is the saving to be made in connection with stallions? Will the same assistance be given as in the past, or where is the reduction?

Mr. GARDINER: There is a twenty-five per cent reduction on all horse breeding policies this year.

Mr. ROSS (Souris): That does not change the system?

Mr. GARDINER: No, it does not change the system.

Mr. SENN: There is what is known as the premium mare policy whereby stallions are kept at different stations to which selected animals are taken. Where are these stations; how many are in operation, and what are the breeds of horses used?

Mr. GARDINER: Prince Edward Island: dominion experimental station, Charlottetown, Clydesdale; Nova Scotia: dominion experimental farm, Nappan, Clydesdale; New Brunswick: dominion experimental station, Fredericton, Percheron; Quebec: dominion experimental station, Ste. Anne de la Pocatière, Percheron; dominion experimental station, St. Joachim, Canadian; dominion experimental station, Lennoxville, Belgian; central experimental farm, Ottawa, Clydesdale; dominion experimental station, Morden, Manitoba, Percheron; dominion experimental station, Brandon, Clydesdale; dominion experimental station, Saskatchewan, Indian Head, Clydesdale; dominion experimental station, Melfort, Percheron; dominion experimental station, Scott, Percheron; dominion experimental station, Lacombe, Alberta, Clydesdale; dominion experimental station, Lethbridge, Percheron; British Columbia: dominion experimental farm, Clydesdale.

Mr. NICHOLSON: Is it only on one farm that there are Belgian horses?

Mr. GARDINER: Yes.

Mr. SENN: What is the plan followed in having animals taken there; how are they inspected, and what regulations must be complied with?

Mr. GARDINER: The mares are all examined and graded when they come to the farm. Those that pass the highest grade are bred free of cost, and those that come in the next classification are bred for five dollars and are allowed to return for breeding if they are not in foal.

Mr. CASTLEDEN: There is one district live stock field man and three supervising live stock field men. Below, there are two live stock supervision assistants and sixteen senior live stock field men. What is the difference in the duties of these men?

Mr. GARDINER: The first group are the highest officials in connection with the inspection, one for each province. Then there is a second grade of inspectors and a third grade.

Mr. CASTLEDEN: The live stock supervision assistants are about the same grade as the senior live stock field men?

Mr. GARDINER: There are no field men in that group. There are two men, both of whom are located in Ottawa.

Mr. PERLEY: I understand there is an advance registry for swine. What is the value of it and how is it carried out?

Mr. GARDINER: A test is made of the sows by keeping a record of the number of pigs the sow produces in each litter, also a record of the length of time it takes to fit these pigs for market, and also the amount of feed they consume in being fitted for market. These records are supposed to indicate the value of certain strains of breeding stock for the production of hogs on farms.

Mr. PERLEY: Is that carried out by individual farmers or by the experimental stations?

Mr. GARDINER: There are certain breeding stations spread across Canada. The one in Saskatchewan is in Saskatoon, and there are others in other provinces at which tests are carried out.

Mr. CASSELMAN (Grenville-Dundas): I understood the minister to say that premiums of $5,000 were provided for goats. Can he give more information about that?

Mr. GARDINER: I said that the amount was reduced by $5,000, which means that we have cut it out altogether.

Mr. GRAYDON: Can the minister give any information regarding the disposition of the famous Jersey herds on the Jersey islands which are now occupied by the Germans? Where I come from we are particularly interested in these Jersey cattle because there is the largest Jersey farm perhaps in the world, and the question of base stock of that particular breed is a matter of prime concern to the industry there. Has the minister had any information? Can he tell us whether any of the stock was saved from the Jersey islands before the invasion took place?

Mr. GARDINER: Our information is that practically all the Jersey stock was removed from the Jersey islands to Britain before the islands were invaded.

Mr. MacNICOL: And the same with the Guernsey?

Mr. GARDINER: Yes.

Item agreed to.

SECRETARY OF STATE

363. Departmental Administration, $93,649.50.

Mr. STIRLING: Will the minister make a statement?

Hon. P. F. CASGRAIN (Secretary of State): There is a decrease of $3,670.

Mr. STIRLING: Where is the saving being made? Is the minister giving up any particular services which the department has been accustomed to render?

Mr. CASGRAIN: No; the reduction has been made by reducing certain items which

were not absolutely necessary, in accordance with the policy of the government to reduce the estimates as much as possible during war time. I am informed that certain vacancies which were to be filled have not been filled, and the department is doing the work just the same.

Mr. CASTLEDEN: Would the minister outline the duties of the confidential messenger at $1,214.50 a year?

Mr. CASGRAIN: I understand that every minister has a confidential messenger to carry documents from his office to the office of the privy council, or other departments if necessary.

Item agreed to.

364. Naturalization branch, $61,365.

Mr. ROSS (Souris): Is it the intention to grant naturalization the same as in the past? Will this branch be continued on the same basis?

Mr. CASGRAIN: Not exactly. If the committee will bear with me a moment, I might give an outline of what is being done at the present time in regard to the naturalization of people who want to become Canadian citizens. As hon. members are aware, section 4, subsection 3, of the Naturalization Act reads:

> The grant of a certificate of naturalization to any such alien shall be in the absolute discretion of the minister, and he may, with or without assigning any reason, give or withhold the certificate as he thinks most conducive to the public good, and no appeal shall lie from his decision.

When I assumed my present office on May 10, the invasion of the Netherlands and Belgium had just taken place. The reports which reached us as to the conduct of the so-called fifth column in these countries led me immediately to make a study of the situation in Canada in relation to naturalization.

While, as hon. members are no doubt aware, confidential police reports are obtained in respect of applicants for naturalization, and while special care had been exercised since the outbreak of war in dealing with applications from persons of enemy origin, I felt it my duty to direct that, for the time being at least, no further certificates of naturalization should be issued to applicants of enemy origin. As the war developed in Europe and as the situation became more obscure by reason of advances of the enemy in so many countries, I became convinced that, exercising the discretionary powers confided to me, I should not for the present sanction the issue of certificates of naturalization to applicants from countries in what might be termed the war zone. Unfortunately that term may be taken at present to embrace practically every country in Europe. On the other hand I did not wish to make a final pronouncement on the policy which I am disposed to recommend to my colleagues and to parliament, since I wished to examine carefully the whole question of naturalization in Canada. There may be a few instances of genuine hardship in prohibiting all naturalizations for the period of the war, and these I wish to examine.

In the meantime naturalization applications which have been considered by the court are being held for future consideration. I have observed, from correspondence which has reached me and from newspaper comment, that there appears to be an impression that the hearing of naturalization applications in the courts indicates that certificates of naturalization will be granted to all those who satisfy the judge that they possess the required qualifications as to residence, character and language. This is not the case. The judge who conducts the hearing has the responsibility of making a finding as to whether the applicant has satisfied him that he possesses the required qualifications. The papers, with the judge's finding, are then forwarded to the department, but the responsibility rests with the Secretary of State to decide whether or not a certificate will issue. Hon. members will realize that this is a heavy responsibility, more especially in critical days like these. It is for that reason that I have given the instructions to which I have referred.

I must say, however, that I am not greatly impressed with the representations which have been made to me as to aliens who have resided in Canada for twenty, twenty-five or thirty years and have only now become sufficiently interested in the country in which they are making their living to indicate a desire to identify themselves with it by acquiring the privileges of citizenship. I realize that there may be a very few instances where, through ignorance or misunderstanding, people who have assumed that they were naturalized by the naturalization of their father find themselves to be aliens in the sight of the law. In view of the fact that the war has now lasted over ten months, and that many of these people were naturalized in the period between September 1 and the end of April, I question whether there are many persons in this country who have not had an opportunity of clearing up difficulties of this kind. I can say to hon. members that I have taken careful note of all the facts that have been put before me and that I shall be very careful in this matter and shall make a further study as to whether

it would be advisable to change the policy. But for the present hon. members may be assured that none of these certificates are being issued since I have been in charge of the department since May 10 of this year.

Mr. STIRLING: Are applications still streaming in?

Mr. CASGRAIN: I am informed that they are falling off at present, but there was a great demand following the outbreak of the war.

Mr. STIRLING: From what the minister said in regard to the work to be done it looks as though there should be an opportunity for a considerable saving in this staff of thirty-one people. Practically the whole of Europe is the war zone now; there are not many countries from citizens of which applications for naturalization could be considered.

Mr. CASGRAIN: I am informed that at present five of the staff of that department are loaned to other departments.

Mr. STIRLING: Reducing the thirty-one?

Mr. CASGRAIN: Yes, to twenty-six.

Mr. HOMUTH: I may have misunderstood the minister, but listening to his statement I gathered that although the judge may have recommended naturalization there is vested in the minister the authority to overrule the judge's findings. The judge had the applicant before him. On what ground does the minister base his judgment in overruling that of a man who has had an opportunity to see and talk to the applicant?

Mr. CASGRAIN: There are the terms of the law which I have quoted, the discretion given under subsection 3 of section 4. The judge might have evidence produced before him showing on the face of it that the man appeared to be entitled to naturalization. But besides that there are confidential reports which we are not at liberty to disclose but which might show that we should not grant the certificate.

Mr. HOMUTH: Would the minister say where those confidential reports come from?

Mr. CASGRAIN: From the Royal Canadian Mounted Police in every case.

Mr. NICHOLSON: Can the minister give the committee the number of certificates that have been granted since the war started, and the racial origin of those to whom they were granted?

[Mr. Casgrain.]

Mr. CASGRAIN: I have the information before me. I shall read it the next time the committee sits.

Item stands.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Tuesday, July 16, 1940

The house met at three o'clock.

PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 91, for the relief of Agnes Dorothy Smith Bruneau.—Mr. Hazen.

Bill No. 92, for the relief of John Eric Pitt.—Mr. Factor.

Bill No. 93, for the relief of Dennis Calvert Kerby.—Mr. McIlraith.

Bill No. 94, for the relief of Camille Perks.—Mr. Bercovitch.

Bill No. 95, for the relief of Maria Cecilia Patricia Gatien Rowell.—Mr. Tomlinson.

Bill No. 96, for the relief of Lemuel Athelton Lewis.—Mr. Homuth.

Bill No. 97, for the relief of Joseph Philias Hector Sauvageau.—Mr. Hill.

On division.

BRITISH CHILDREN

STATEMENT OF MR. ATTLEE IN BRITISH HOUSE OF COMMONS ON OVERSEAS RECEPTION SCHEME

On the orders of the day:

Hon. T. A. CRERAR (Minister of Mines and Resources): Mr. Speaker, a question was directed to Mr. Attlee, Lord Privy Seal, in the British House of Commons to-day touching the movement of British children overseas. I shall give the question and his answer. The question was whether he could give any further information about the progress of the children's overseas reception scheme, and he replied:

Yes, sir. The house has already been made aware of the extremely generous offers for the reception and maintenance of British children during the war that have been made from Canada, Australia, New Zealand and the Union of South Africa, and also from the United States of America. These offers were already sufficient to account for a very substantial number of children, and I have no doubt that they by no means indicate the limit of the hospitality which might ultimately be made available overseas.

As regards the response in this country, the number of children for whom applications were made exceeded the number for whom responsibility had been offered. The government would have no difficulty in providing shipping required as sufficient tonnage could be made available. On the other hand the government feel strongly the responsibility that rests upon them to see that any children who go overseas under the government scheme should have such naval protection as would reasonably ensure the safety of their passage during the voyage. The fate of the *Arandora Star* shows that even a fast passenger vessel cannot always rely for safety on her speed if she is unescorted.

Unfortunately a radical change in the situation since applications were first invited has occurred as a result of the loss of the services of a large part of the French fleet. It is, therefore, in the present circumstances essential to concentrate our whole naval forces on the task of meeting the overriding demands of national security. It is this consideration alone which has forced the government reluctantly to conclude that they must postpone the operation of the scheme for transference of the children overseas until the situation at sea enables them to provide naval escort for ships employed for this purpose.

Similarly the government feel there must be a postponement of special arrangements which they were prepared to make in cases where schools here had planned to transfer pupils to schools in Canada.

Ordinary fast passenger vessels are not escorted and if children are carried on such vessels outside any government scheme the responsibility for any risks on the voyage would not be on the government. In any case the numbers of such children must be limited, since I am bound to repeat that the imperative necessity of conserving our dollar resources to meet other essential demands makes it impossible to allow remittances of funds in any form for the purpose of their maintenance in Canada and the United States.

The government realize that postponement of their scheme, although inevitable, is bound to cause great disappointment amongst parents here and also among those who in the dominion have so whole-heartedly cooperated in making preparations for the reception of the children and their maintenance. I desire to assure them that we keenly appreciate their generosity and deeply regret the inconvenience which the postponement of our scheme is bound to cause them.

To those also in the United States of America who have spared no effort to find homes for the British children I would like to express on behalf of his majesty's government our warmest thanks. I hope that our scheme is only temporarily suspended and that we may yet be able to partake of that warm-hearted hospitality so spontaneously and readily offered.

SUBVERSIVE ACTIVITIES

REASONS FOR DECLARING TECHNOCRACY INCORPORATED AND JEHOVAH'S WITNESSES ILLEGAL ORGANIZATIONS

On the orders of the day:

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, for a number of days I have had a question that I wished to ask of the Minister of Justice (Mr. Lapointe) but I have just learned with regret that he is not likely to be in the house for some time. Consequently I would ask my question of the government in the hope that an answer may be given, if not now, at some later time.

My question is this: Can the government give the house precise information why the organizations known as Technocracy Incorporated and Jehovah's Witnesses have been declared illegal? Since the banning of these organizations I have received many letters and communications from people who are puzzled as to why the activities of these organizations were considered illegal.

Some hon. MEMBERS: Order.

Mr. SPEAKER: The hon. member has now asked his question and—

Mr. MacINNIS: I shall finish in a very few words, Mr. Speaker.

Some hon. MEMBERS: Sit down.

Mr. MacINNIS: I am asking a simple question of the government, as I have a right to do without all this furore being raised on the other side of the house. I do not use many words in asking questions, and I object to this curtailment of the liberty of members of parliament in asking questions of the government.

Mr. SPEAKER: As I understood it, the hon. gentleman had already given the gist of his question, and I think that the minister who makes reply knows exactly what is required in the way of answer. I would again bring to the attention of the house—

Mr. MacINNIS: Mr. Speaker, my question consists of six lines. Surely I should be permitted to read six lines to the house.

Mr. SPEAKER: Yesterday I had to draw to the attention of the house the fact that hon. members in asking questions of the government on the orders of the day should bring in nothing extraneous, that the minister should simply know what the question was about. The hon. member has now made his statement and I think an answer could be given.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, my hon. friend had sent notice of his question to the Minister of Justice, and the minister had a reply which he was prepared to make had he been in the house. In his absence I will read his reply:

"It is not the policy to disclose confidential information upon which a recommendation under the defence of Canada regulations is

made by the minister. However, the literature of Technocracy Incorporated discloses, in effect, that one of its objects is to overthrow the government and constitution of this country by the use of force. The literature of Jehovah's Witnesses discloses, in effect, that man-made authority or law should not be recognized if it conflicts with the Jehovah's Witnesses' interpretation of the Bible; that they refuse to salute the flag of any nation or to hail any man; and, that they oppose war.

"The general effect of this literature is, amongst other things, to undermine the ordinary responsibilities of citizens, particularly in time of war."

WHEAT

INQUIRY AS TO REPORTED LOSS IN GOVERNMENT MARKETING OPERATIONS

On the orders of the day:

Mr. A. M. NICHOLSON (Mackenzie): Mr. Speaker, I should like to direct a question to the Minister of Trade and Commerce (Mr. MacKinnon). To-day's *Globe and Mail* contains an item to the effect that the government is running the wheat market in the interests of the growers and losing about $1,000,000 a week in the operation. I wonder if the minister would care to make any comment on that item.

Hon. J. A. MacKINNON (Minister of Trade and Commerce): If the hon. member will put his question on the order paper I shall be glad to answer it.

NATIONAL DEFENCE

STATEMENT RESPECTING HUTMENT ACCOMMODATION FOR TROOPS IN CANADA

On the orders of the day:

Hon. J. L. RALSTON (Minister of National Defence): Mr. Speaker, I want to refer to an item that appeared in one of the papers this morning with regard to the hutment accommodation which is being provided by the Department of National Defence; the house might be interested in knowing the progress which has been made in that direction. The item was:

> Camp facilities are being expanded rapidly. But it is doubtful whether these can be brought, before cold weather sets in, to a point capable of accommodating 50,000.

Beginning with July 1 and up to last Friday, hutments had been put in shape for accommodation, although not entirely completed, for 19,000. Within another ten days that number will have increased to 32,000, and by August 1 it will be 37,500. In addition, there is accommodation for 14,000 more already under construction, making a total of new hutting actually in progress, and a large part of which will be completed by August 1, to accommodate 51,500. In addition there is available in Canada winter accommodation for something like 25,000 more, and that does not take into account accommodation for the coast defence garrisons, which makes another 8,000. So that if we can build huts for something like 37,000 in one month I would anticipate that we could within three months up to the end of September construct hutment accommodation, if necessary and the materials are available, for 100,000, making total winter accommodation in this country, not for 50,000, but nearer to 150,000.

CANADIAN ACTIVE SERVICE FORCE

MAJOR-GENERAL G. R. PEARKES APPOINTED TO COMMAND OF FIRST CANADIAN DIVISION

On the orders of the day:

Hon. J. L. RALSTON (Minister of National Defence): Mr. Speaker, the house will be interested to know that approval has been given of the appointment of Major-General G. R. Pearkes, V.C., D.S.O., M.C., who commanded the Second Infantry Brigade, to command the first Canadian division. Colonel A. E. Potts, who commanded the Saskatoon Light Infantry, has been appointed brigadier in command of the Second Infantry Brigade.

NATIONAL REGISTRATION

QUESTION AS TO PUBLICIZING PENALTIES FOR INFRINGEMENT OF REGULATIONS

On the orders of the day:

Mr. T. C. DOUGLAS (Weyburn): I wish to direct a question to the Minister of National War Services (Mr. Gardiner). In view of the fact that the regulations issued by his department contain penalties for violations or infringements, and that a large section of the Canadian people do not get a daily newspaper, has the minister given consideration to having a broadcast either by himself or by some member of his department over a national hook-up, to acquaint people with the details of the regulations?

Hon. J. G. GARDINER (Minister of National War Services): I anticipate that there will be a number of broadcasts between now and the time that the registration takes place, and other publicity will be given to the penalties and other provisions of the regulations.

UNEMPLOYMENT INSURANCE

FUND TO BE ADMINISTERED BY COMMISSION ASSISTED BY ADVISORY COMMITTEE—PROVISION FOR EMPLOYMENT SERVICE

Hon. N. A. McLARTY (Minister of Labour) moved that the house go into committee to consider the following resolution:

That it is expedient to introduce a bill to enact a scheme of national unemployment insurance to be administered by a commission appointed by the governor in council, and to create an unemployment insurance fund from contributions from specified persons and from moneys provided by parliament, for the payment of insurance benefits, to be administered by the commission assisted by an advisory committee; with provision also for the organization and maintenance of an employment service administered by the commission with the advice and assistance of a national employment committee; also with power to the governor in council to establish committees and boards subsidiary to the commission and to enter into agreements with the governments of other countries for reciprocal arrangements relating to unemployment insurance; with provision for the remuneration of the commissioners and the appointment and remuneration of such officers, clerks and employees as may be required for the due carrying out of the provisions of the act and for the costs of administration.

He said: Mr. Speaker, in rising to move the resolution which appears in my name, I realize that the task is made much less difficult by reason of the fact that the constitutional authority necessary to move it was taken by this house less than three weeks ago. At that time, I think it is safe to say, unanimous approval was given at least to the principle of the bill, although each one that spoke on it reserved, naturally, the right to deal with the details when they were revealed.

In addition to that, sir, we have been preparing for twenty years for the measure contemplated in this resolution this afternoon. It has received in principle the approval of every section of this house. It has received the consent of every province in the dominion. It passed the parliament at Westminster within the last two weeks in less than nineteen minutes of debate. Consequently I feel that it would be entirely superfluous to deal with a general history of the development of unemployment insurance as a social measure or with the incidents which have followed it in the various countries in which it has been applied. In other words, my task is much less difficult than if this measure were novel to this legislature or to the people of this country.

At the time the resolution was passed asking the parliament at Westminster to confer the necessary power to enact this legislation, we were at war. We are at war to-day; but I suggest that the particular occasion has not changed in as far as the desirability of this measure of social legislation is concerned. Consequently I will not deal with any of the history or the development of similar acts in other countries, but rather will devote my attention to the question whether this particular time is the appropriate time in which it should be placed upon our statute books.

But first, might I deal with two considerations? It has been suggested that this measure of legislation is being placed on the statute books in the dying days of the session. I suggest to you that it is less than two weeks since power was given to this parliament to enact the legislation. Only last Thursday the news was cabled that the royal assent had been given to the enactment of the imperial parliament on which this legislation could be properly founded. Within one day the notice of this resolution was placed upon the votes and proceedings. I suggest that nothing could be done in a more expeditious and more rapid way than this resolution was introduced into this house immediately parliament had conferred upon it the power to introduce it and enact it.

I do not believe the argument that additional days will be taken by this parliament to pass this desirable measure will make much appeal to the members of this house. No one of us is motivated by the calendar or by the clock. We have a definite duty to perform, a duty to the Canadian people, and no one in this assembly is more anxious than any other to perform that duty. There is no monopoly of the desire to accomplish a public good. And, sir, if it be argued that it may take a few additional days to pass a measure of legislation which throws its cloak of protection in some measure around 4,660,000 of our people, I doubt if this legislature would hesitate a moment in remaining for the time which may be necessary to have it enacted. If it delays us a day, it will be remembered that the government is not responsible for that delay, and I believe we shall meet with the whole-hearted approval of all hon. members if we stay here until this work has been accomplished and the desirable end achieved.

Mr. MacNICOL: May I ask the minister a question? Did I understand him to say that there are 4,660,000 workers in Canada?

Mr. McLARTY: No. The total number, actuarially estimated, of workers in 1941 who will be under this act is 2,100,000. The figure of 4,660,000 includes of course not only the workers but their dependents who will be to some extent affected by the act.

It has been suggested that time should be taken to give an opportunity to affected

parties to present their views as to the desirability of this legislation in whole or the details in part. I believe there is no desire to curtail such representations; but might I suggest that this is not a new species of legislation. We have had the advantage, and I trust have taken it, of the study which was given to the act which was placed on the statute book in 1935. That study was careful and intensive. We have had, too, the advantage of considering the representations which were made at the time that act was introduced into parliament and at the time it was passed. Two commissions in the meantime have considered the question, not only in its general application to Canada but as to the detailed way in which it should be applied. We have had also the advantage of the consideration of developments which have taken place since that act, largely in the neighbouring country to the south; and while we have made changes in the 1935 act, inevitably so, those changes have been to a great extent founded upon and are the result of progressive developments that have occurred in the intervening time. I suggest therefore that such representations as it may be desirable for this house to receive should perhaps be somewhat limited and should not affect the principle of the act but rather only the changes that have taken place as a result of those progressive developments to which I have just referred.

It has been said: Unemployment insurance is a desirable measure in peace time and under normal conditions, but is this the proper time to introduce it to this house?

There are many here who will remember the conditions that ensued after the last war. There are many here who will remember that on April 4, 1919, a committee was appointed under the chairmanship of Mr. Justice Mathers, at that time Chief Justice of Manitoba, which considered industrial and labour conditions. It was the first time in Canada that unemployment insurance had ever been advocated and the report of that committee is as follows:

> We recommend to your government the question of making some provision by a system of state social insurance for those who, through no fault of their own, are unable to work, whether the inability arises from lack of opportunity, sickness, invalidity or old age. Such insurance would remove the spectre of fear which now haunts the wage earner and make him a more contented and better citizen.

That report was brought in on June 27, 1919. In September of the same year—and I ask the house to bear in mind that this was in the aftermath of the war and as a result of the conditions which the war produced—there was gathered in Ottawa a large committee which represented employers and employees, the provinces and the dominion. Speaking from recollection, I believe there were 176 representatives of employers and employees and 34 of the provincial and dominion governments. That was in September 1919. That committee brought in this report:

> This committee unanimously endorses the recommendations of the royal commission on industrial relations, that a board or boards be appointed to enquire into the subjects of state insurance against unemployment, sickness, invalidity and old age.

I mention these reports because they happened in the immediate aftermath of the war. I do not need to trace down the developments in Canada from that time to 1935 or from 1935 to the present day, but I should like for a few moments to direct the attention of the house to a situation that arose in Great Britain. As is well known, the unemployment Insurance Act was passed in Britain in 1911. Its total coverage represented at that time 2,250,000. In the year 1916, a year in which Britain was engaged in war, its coverage was widely extended. At that time the bill which extended the Unemployment Insurance Act was passed through all its stages, including the committee, in one day in the British House of Commons. I am afraid I would not be sufficiently optimistic to suggest that this bill will pass in the same record time.

Mr. MacNICOL: Give us a chance.

Mr. McLARTY: What I do suggest is that, after five years' experience of unemployment insurance, bearing in mind that at that time we were in the midst of a great war, the British parliament thought it of sufficient importance to pass as a war-time measure a wide extension of that act. What was the result? I should like to quote the report of what is known as the Civil War Workers of Great Britain, comprising employers and employees and members of the government. It is a lengthy document, but I believe the opinion that it expresses on unemployment insurance as a war-time measure is sufficiently important and sufficiently practical to justify its quotation. May I quote:

> It is clear that whatever be the state of trade and finance after the war, there must be a considerable amount of unemployment for some period; how much unemployment there will be and over what period it will last is impossible to forecast. But, whatever it be, there must be a great deal of unemployment which can only be dealt with in one of two ways: either by a considered scheme of insurance introduced beforehand, or by state doles, hurriedly and indiscriminately issued when the moment of crisis arrives. There can be no question which is the better way. State doles lead straight to pauperization. A well devised scheme of insurance preserves the self-respect of the

worker and assists and encourages him to supplement it by provision, made industrially or through an association.

The reconstruction period should be regarded as one in which all trades and occupations are subject to risk, and, apart from and in addition to all special measures for preventing unemployment itself in particular trades, general provision should be made for prevention of distress through unemployment by seeing that everybody is insured against unemployment.

So far as hardship due to unemployment is not met by insurance, the government of the day will inevitably be driven to fall back on "measures for the relief of distress"; in other words, on a system of doles. It will be impossible in the middle of a great crisis to improvise any satisfactory machinery for administration, and large sums will inevitably be spent in the least effective and most demoralizing way. At the same time, once it is clear that uninsured trades are entitled to public money for the relief of distress, it will be quite impossible to preserve the principle of contributory insurance for the trades included under the present schemes. On practical administrative grounds, quite apart from any question of principle, the method of contributory insurance has the great advantage of providing an effective and automatic means of registering and selecting the individuals who require assistance.

Unless a scheme of general insurance is devised and launched at the earliest possible date it may be impossible to avoid the disastrous chaos of unorganized and improvised methods of relieving distress.

That report, sir, was given in the year in which the war was concluded. The following year the British Unemployed Insurance Act, largely as a result of conditions which the war stimulated and brought about, and doubtless as a result of that report, was extended to include over eleven million of the wage earners in that country.

But there is an additional reason why this measure is an appropriate one at this particular time. It is almost trite to suggest that an unemployment insurance measure does not exercise its full benefit at a time when employment does not exist, or is at a low level. Necessarily the fund which has to be created can best be created in a period of high employment. On July 1 of this year employment in this country was higher than it has ever been at any time in our history. Employment is now at its peak. I suggest to this house, is not this an appropriate time, even though unfortunately employment has been increased largely as a result of war conditions, to enact this measure of unemployment insurance?

There is another consideration. It does not mean that because we enact unemployment insurance to-day it will become completely operative to-morrow. There has to be a certain period of training of those who will administer it and carry it on. I should like for a moment to revert to the British experience and quote Right Hon. Thomas MacNamara, Minister of Labour in 1921, as to the effect which the extension of unemployment insurance had in that country at that time. He said:

> The extensive widening of coverage under the British Unemployment Insurance Act has saved Britain from a grave danger in the previous year.

Also, in dealing with that point as to the application of the act and the time it requires to place it in operation, I should like to quote one whose name is probably more closely connected with unemployment insurance than any other man in the world. Speaking of the effect of unemployment insurance and its extension during the war, Sir William Beveridge said:

> The main result of recent experience both during and after the war has been to confirm the value of contributory insurance as a measure for preventing distress through unemployment. In simplicity, generality, flexibility and cheapness of administration it is unsurpassed. The British scheme, put to the test under circumstances of extreme and unnecessary difficulty, has stood the strain with remarkable success. To this general conclusion in favour of unemployment insurance, two comments may be added. In the first place it is about equally important and equally difficult to begin insurance against unemployment before a crisis of unemployment arises. It is important to be beforehand (not so much with a view of enabling the unemployment fund to build up a reserve, for the place of a reserve can at need be supplied by borrowing, as) in order to let individual insured persons establish their claim by contributions to set up the administrative machinery and to get the staff trained in their duties.

* * *

> The history of unemployment insurance in the war, however, only repeats the history of fifty years before the war.
>
> A dominating factor in the problem of unemployment has always been the inability or refusal of practical persons to exercise forethought in relation to it, or to realize the inevitability of cyclical fluctuation and the certainty that prosperity will give place to depression.

May I refer to one or two other matters that are important. As I suggested, we are at the peak of our employment. July 1 last registered the all time high. With regard to a great many, however, who are now employed, the question arises whether their employment is of that permanent nature which will induce in them a proper state of mind; they wonder what will happen after the war is over. I suggest that to enact this measure now will have the effect of increasing our production in war time by reason of the greater peace of mind, the settled and composed feeling that it will give to those who are now employed.

At the beginning of the war the major labour organizations of this country came to the

government with an offer of complete cooperation. That promise they have kept. While there have been sporadic and perhaps spontaneous strikes in industries in various parts of the country, these have not been promoted or organized or encouraged by our great labour groups. Labour has kept its word to this government. I suggest, sir, that it will be of some assistance in maintaining industrial peace if this desirable measure is placed upon the statute books of this country. It will be a measure of recognition of the splendid efforts that labour has so far made and, I believe, will continue to make throughout this war to assist in carrying on this great struggle in which we are now engaged.

During recent years a large number of profit-sharing cooperative retirement savings funds have been established. Over 2,800 individual industries in Canada have adopted such plans. This is altogether desirable. It is the hope that the limits placed by this measure on the contributions by employer and employee will not be sufficiently large to cause any of those plans to be discarded or in the future overlooked. The wider the extension of them the better, because they visualize and express the spirit of cooperation between employer and employee.

To sum up, this measure is necessary at this time to anticipate and in some degree counteract the probable dislocation which will follow demobilization and the cessation of war work. If it is to be effective in accomplishing this purpose it should be placed in operation at the earliest possible moment. The employment services should be taken over and made to function at maximum efficiency; the personnel to make the plan effective should be set up and given the opportunity to function smoothly. We should begin at once to establish the necessary fund to create a backlog when the readjustments which will inevitably accompany peace require to be made.

The surest foundation on which to base democratic government is a happy and contented people. Nothing militates more against happiness and contentment than fear. By this measure fear will be removed to some extent from 4,660,000 of the Canadian people.

Approved in principle as it is by every major labour organization in this country, endorsed by every commission and committee charged with the responsibility of giving it consideration and making recommendations in respect to it, endorsed several times by this chamber, meeting as it does with the unanimous approval of all the provinces, this resolution should be passed by parliament at this time—not six months from now—and, by the legislation to follow, clothed with the force of law.

This done, it will be recorded of the present generation that at a time when we were bending every effort and endeavour to overcoming the enemy at our gate we were not unconscious of our duty and our obligation to promote the welfare and happiness of our own people.

Hon. R. B. HANSON (Leader of the Opposition): In his remarks on the introduction of this measure, Mr. Speaker, the Minister of Labour (Mr. McLarty) stated in a very moderate way the attitude of the government with respect to this matter of major importance. We are living in the middle of the twentieth century. Canada as a democratic country, together with other nations, has been moving forward in matters of social legislation, and for a period of more than twenty years the underlying principle of this legislation has been given consideration by every government in power during that period.

Towards the close of his remarks the minister paid what I think was a well deserved tribute to labour in Canada. I know of no major eruption in connection with labour since the beginning of the war. I know of the offer at the opening of hostilities to which the minister referred; and as a citizen of Canada I am happy to think that our labour leaders for the most part are men of very loyal sentiments with regard to our war effort. I would not have expected any other attitude on their part than that which they took in the early days of the war with respect to cooperation with the government in the interests of the country. Therefore I desire to join in the tribute paid by the minister to the sane labour leadership we have had in Canada.

In the course of his remarks the minister indicated that this house had given unanimous approval to the principle of this bill. I assume he was referring to the short debate which took place in this house on June 25 last, when the motion for the address to the imperial parliament was passed with, I believe, practically the unanimous consent of this chamber. I think I can safely say that in this house and throughout Canada there is unanimity of opinion with respect to the desirability of this type of social insurance. But when for a moment the minister put himself on the defensive in relation to the introduction of this measure at a stage of the session at least close to prorogation, he was not on such safe ground. This measure was foreshadowed in the speech from the throne, which was delivered on May 16. For five weeks the government made no move in the matter, and

I personally began to think they did not intend to make a move. I believe I interrogated the Prime Minister in regard to the decision of the government in this matter. On June 25 last the resolution was moved by the Minister of Justice (Mr. Lapointe), and passed speedily through this house. At that time I think hon. members of this chamber, without exception, expressed approval of the principle. Now, after another three weeks, the bill has been introduced. In the meantime eight weeks of the session have gone by, and I should say that under ordinary circumstances this house would prorogue before the end of this month. However that may be, speaking for myself—for the moment I do not presume to speak for my colleagues—as a member of this house I am prepared to stay here for whatever length of time may be necessary in order that adequate consideration may be given the provisions of this bill.

I am not unmindful of the fact, as I am sure the remarks of the minister must have led hon. members to conclude, that representations undoubtedly have been made to himself and to the government at least on behalf of industry in Canada that ample opportunity should be given for study of this measure. With that request I am in accord, because it is a reasonable one. At the moment I do not go so far as to say that the bill should stand until another session, though in essence I believe that is the request, as well as that time be given for study. I have had no direct communication with regard to the matter from any public body, but I assume that all hon. members have received, as I received to-day, a letter addressed to members of this house by the Canadian chamber of commerce, containing representations which I hope have been read not only by the government but by all other hon. members as well. This is what they say:

> In view of the repeated press dispatches intimating that the government intends to introduce an unemployment insurance enactment at the present session of parliament, our executive have requested me again to communicate with you in the terms of our letter of 6th June last.

I received no such letter, and do not know its contents.

> The executive wish strongly to re-emphasize their judgment—

I assume this was in the letter of June 6.

> —that irrespective of how worthy unemployment insurance is in principle, it does not seem appropriate at this time to make operative any major social legislation of this kind, and are convinced that the operation of such legislation should be deferred until ample time is allowed for a study of its terms by business and labour, so that its application and many practical aspects may be fully studied.

In the next paragraph the letter goes on to say:

> Although . . . the government is anxious to provide against the future ill effects of unemployment, there is a real question in our minds as to whether employees should be asked to bear at this time a new charge against their wages in addition to those regular imposts now in effect. The national defence tax for instance is one of those deductions—

Then it goes on to mention the requests made to employees to buy government war savings stamps.

The only suggestion I desire to make to the administration in this connection is that if such an important body as the Canadian chamber of commerce requests time for consideration and study, that request should not be lightly put aside. After all, under this measure industry as such is going to be asked to pay a large sum of money as its contribution to the proposed fund, and this despite the fact that last month we had a war budget which imposed upon industry very heavy additional burdens. Reference is made in this circular letter to the position of the employees, who as a result of the imposition of the national defence tax and in connection with other war activities are being asked to bear additional burdens.

The only point I want to make is that the government should afford an opportunity to business and labour alike, if labour so desires, to make whatever representations they wish. I do not purport to speak for any labour organization, but a great burden has been placed upon industry and a large part of the cost of this scheme will have to be borne by industry. As I say, any requests which have been made for time to study this legislation or for an opportunity to make representations should be complied with. Just what method should be adopted, I do not know, but I make this constructive suggestion: When the bill passes its second reading it should be referred either to the committee on banking and commerce, where representations could be made, or to a special committee of this House of Commons, the membership of which should be selected with great care. I know of no more important measure which has come before parliament since 1935—perhaps I should not speak too dogmatically, since I have not been very familiar with the legislation brought before parliament from 1935 to the present session.

I am not suggesting that the bill should be delayed beyond this session, although I was not greatly impressed with the argument advanced by the minister as to the necessity of proceeding with haste. I should

not like to see any haste in connection with this matter. It is just twenty-one years since such legislation was first considered. Twenty-one years for the birth and development of an idea and a principle is quite a long time. I know there have been difficulties, as was indicated in the debate during the last week in June, but they have been cleared away. As I said then, I think the government have taken the proper course to ensure the constitutionality of any legislation that may be brought forward. If a case can be made out by those who have such a substantial interest in this matter; if it can be shown that the advantages about equal the disadvantages, no great harm could ensue if this measure were delayed until another session. I am not suggesting that it should be, but I do say that consideration should be given to representations made by such important bodies as those to which I have referred.

I should like to say something about the principle of unemployment insurance. The minister painted a rosy picture of what would result from the enactment of this measure. Personally I have no means of checking the accuracy of the estimates which he gave, but he stated that this measure, if enacted, would afford protection for over 4,500,000 of our people; I subsequently understood him to mean workers and their dependents. He stated that it was estimated that in 1941 it would afford protection and security for over 2,100,000 workers.

Mr. McLARTY: Those are the actuarial figures.

Mr. HANSON (York-Sunbury): I assume that those figures were based upon estimates made by the officials who the minister no doubt has called in for consultation in connection with the preparation of this work. I have no means of checking the figures; I have no means of disputing them, but I am bound to say that they strike me as being large. I hope I am wrong, because I believe it is the opinion of everyone that the essence of this kind of legislation is security for the industrial worker. That is something for which we all ought to strive.

I have not gone back quite as far as the minister did in his researches; I have confined myself to the consideration of the subject matter covered by the act of 1935. The theory of that act was that it was desirable to discharge the obligation to Canadian labour which was assumed by the peace treaty of 1919, in an endeavour to secure and maintain fair and humane conditions of labour for men, women and children. It never was considered as a cure for unemployment. The minister took good care to avoid making any reference to this class of social legislation as being a cure for unemployment. It is not, it never was intended to be and it never will be. I suggest that no system of unemployment insurance will take care of all the unemployed at all times. There will always be some occupations which because of their very nature cannot be brought under any insurance plan. There will always be unemployed who have never been employed. I refer particularly to young people who are coming to the employment age. Conversely, there will always be some unemployed who will have exhausted the benefits to which they would be entitled under an unemployment insurance scheme. Consequently, any such scheme will only be a palliative for this vexed problem of unemployment.

I do not see any useful purpose to be served by debating this resolution at great length when we are all in agreement as to its principle. There are bound to be many categories of labour which will remain outside the scope of any unemployment insurance scheme which is on a sound actuarial basis. There are two points to be considered there. Is this scheme to be placed on a sound actuarial basis? Will the minister be prepared to give all the information he has at his command with regard to the different categories of labour, in concrete rather than in general terms, which will come within or remain without the scope of the act?

This scheme must be on a sound actuarial basis, and we must have concrete evidence that such is the fact. It will not do to adopt any scheme or plan which is simply a device for transmitting money raised by general taxation or borrowing. In essence any such scheme would be a dole, pure and simple. It is quite wrong to say that all classes of labour are in favour of a scheme of this kind. I believe that organized labour as such has indicated its adherence to the principle of some such scheme. But there is a class of workers in this country who may be called "safe" employees. Perhaps that is not very well put; there are those in safe employment in this country who, under any scheme, if they are brought under the act, and I assume they will be if it is essential that they should be, will be taxed for the benefit of those who are engaged in what might be termed the "exposed" positions. An illustration of that might be found among the employees, we will say, of a newspaper, many of whom are highly paid, skilled technical workers, employed day in and day out twelve months in the year. Some of them, I have heard it said, do not want any such scheme as this; from the very nature of their

employment they never expect to be out of work and they do not want to be taxed for the benefit of those who are in the category of "exposed" employment—that is, those who may lose their positions or whose work is more of a temporary character.

There is another class of labour which to me, coming from the country I do, presents difficulties which cannot, I think, be taken care of by any social scheme such as this; I refer to seasonal employment. This is a problem of enormous difficulty in a country the size of Canada, having regard to its climatic and other conditions and also to the nature of its industrial organizations.

Under the principle of the workmen's compensation acts in all or nearly all the provinces, each industry or group of industries must pay a rate of premium proportionate to the hazard in such industry or group of industries, but such a system of insurance has been discarded as being the acme of perfection and therefore impracticable. That is the opinion of the Rowell commission. I have assumed that this principle has been discarded, that you cannot work on the principle of the workmen's compensation acts. I am content to take the opinion of those who have made a study of the matter that such a system would not work.

The minister has been good enough to send me a memorandum which notes the changes in the bill from the 1935 act. They are numerous, so far as I have been able to observe, and some of them are relatively unimportant; but there are one or two significant changes, not in principle, but in administration and in respect to contributions. We are adopting a system wherein the so-called "safe" industries, as I said a few moments ago, are to be taxed to help the so-called "exposed" industries. That is the principle which underlies the workmen's compensation acts. But on this principle social security in one field is financed by taxes on production disguised as premiums; I do not think this can be gainsaid by anybody. I mention this not in any controversial spirit but in an attempt to elucidate some of the difficulties that lie behind the putting into effect of social legislation of this kind.

I have not attempted to consider all the economic objections which might be enumerated, because, in spite of them, and having regard to the necessity of securing and maintaining fair and humane conditions of labour for men, women and children, and to the fact that the physical, moral and intellectual well-being of industrial wage-earners is of very great importance to us as a nation, it is in my view desirable, on balance, that we should adhere to the principle of unemployment insurance. I do not for a moment think that we can evolve a perfect measure, notwithstanding all the experience of other countries and the vast amount of study which has been given to the subject in Canada, especially during the years 1934 and 1935, and in the preparation of the measure which is about to come before the house. Rather do I suggest to the minister that this bill will, in the first instance, be in the nature of an experiment for Canada, and because it is in the nature of an experiment we should give it the fullest consideration of which we are capable. I am not going to suggest any more than that.

I have been told it is estimated that industry will be asked to pay $50,000,000 into the fund in a good running year, after the act has come into operation. I do not know whether or not that is a correct estimate.

Mr. McLARTY: No. I know that the leader of the opposition does not want to give anything but a correct impression. That would be a very exaggerated figure of what industry would pay under the rates fixed by the proposed bill.

Mr. HANSON (York-Sunbury): I have no means of knowing, of course, but that is the figure which has been indicated to me, and I am glad the minister has indicated that it is an exaggerated figure. He will be prepared, when the opportune moment comes, to state the maximum amount which will be taken from industry to finance these proposals.

I think the country would like to have the most solemn assurance that the scheme will be actuarially sound, because if it is not, and there is a deficit, the treasury of Canada will be asked to meet the deficit.

Mr. McLARTY: I do not want to interrupt my hon. friend, but the actuarial report will, of course, be tabled in the course of this debate, and provision is made in the bill itself for the scheme being actuarially sound. We shall also have the advice of the advisory committee.

Mr. HANSON (York-Sunbury): I have no doubt that the intention is to make it actuarially sound, but I suggest that only experience in actual operation will show whether it is actuarially sound or not. If it is not actuarially sound and there is a deficit, a raid will be made on the treasury of Canada and the taxpayers of the country generally will be asked to pay that deficit. It has been my experience that when in any province a workmen's compensation act was not based on proper rates, or there was overexpenditure in connection with it, almost always the treasury of the province was asked to make

up any deficit which accrued. That of course ought not to be. We know what has been the experience in England. There were times when there was a deficit; there were times when there was a substantial surplus. I do not know what is the experience of the United States with regard to social security legislation; probably there has not been sufficient time to arrive at a conclusion. But if there is a deficit in Canada and the federal treasury is asked to make it good, the general taxpayers of the country will be called upon to pay the difference. This of course would be neither just nor fair. After all this is special legislation, devised to help one class of our population, and legislation the cost of which should not, in principle, be borne by the general taxpayer. For instance, how could this country ask the farmers, who are in a bad plight, with loss of markets staring them in the face, to pay any part of any such deficits? They cannot do it at this time and should not be asked to do it. On behalf of the people whom I represent in this house and in the country, I must ask for assurances from the minister that the scheme is actuarially sound.

It was stated, I believe in a circular of the Canadian Manufacturers Association which I have read, that in the administration of this scheme, with its corollary of dominion unemployment agencies, there will be set up in this country a bureau of between three and four thousand new government employees. I have no means of knowing whether that estimate is exaggerated, but I am appalled at the idea that we are to have three or four thousand new civil servants, especially since we have already taken on six thousand as the result of our war effort. Ten thousand new civil servants represents a tremendous increase in the cost of government. I have not seen the terms of the bill, but I believe that under its provisions—I know this was true under the old bill—the treasury of Canada bears all the costs of administration. I hope the minister will give the house at least some assurance in this matter. I trust that the estimate is too high.

Mr. McLARTY: I think I can give that assurance now to my hon. friend. The estimate under the former bill was 3,800. While I have not the definite figure of the estimate under the present bill, the number will be less than that.

Mr. HANSON (York-Sunbury): Oh well, we shall wait and see.

Mr. ISNOR: Would the leader of the opposition read the statement attributed to the chamber of commerce upon which his estimate of ten thousand employees is based?

Mr. HANSON (York-Sunbury): I did not say ten thousand; I said between three and four thousand.

Mr. ISNOR: Would the leader of the opposition read the reference?

Mr. HANSON (York-Sunbury): If I have it here. I think I have it. The chamber of commerce—

Mr. ISNOR: The Canadian Chamber of Commerce?

Mr. HANSON (York-Sunbury): Well, it is an inference. If you will turn to page 2, where they are advocating unemployment insurance of the pool type, you will find, at paragraph 1:

> Instead of requiring an administrative staff of 3,500 to 4,000 people, with an administrative cost of possibly 15 per cent of the contributions—

Then they go on to argue in favour of a savings plan.

Mr. ISNOR: That is not the chamber of commerce.

Mr. HANSON (York-Sunbury): No, it is the Canadian Manufacturers Association. I thought I made that clear. I hope the estimate is too high, but I am afraid that, in a far-flung country like Canada, and with the minister's estimate that this is going to provide unemployment insurance for 2,100,000 workers when it is fully organized and all the employment bureaux are in operation, my estimate will not be excessive.

What does that mean? It means just so many more people living on industry, the state, and the contributing employers. In recent years, since the end of the last war, there has been an appalling tendency on the part of so many people to get a government job, to be on the national payroll. To me it has been appalling. I suppose this is to be expected in a time of economic depression. People want a feeling of security, and that, I suppose, is natural. People who get on a government payroll think they are secure, and I have observed that when some of them get there, their duties are ended and they are there for life.

Mr. REID: That is what they get in the civil service.

Mr. HANSON (York-Sunbury): Well, I did not say they do. I think the civil service by and large is a good cross-section of the people of Canada—perhaps a good deal above a cross-section of the people of Canada. But my observation has taught me that there are too many people in the civil service. I remember going down here, in the twenties, to the Department of Public Works to interview the deputy minister, and there were three men in the outside office to receive me. I had to wait

there for nearly an hour, and so far as I could see not one of them was doing anything of any service to this country; they were principally engaged in reading the newspaper. But when I got into the inner chamber, so to speak, I found a busy man doing very important work. That is what I mean: there are too many people in, shall I say,—I do not mean to convey anything improper by this suggestion—the lower strata of the service, hanging on to the civil service, and I suggest to the Prime Minister (Mr. Mackenzie King) that that sort of thing ought to be corrected.

Personally—and I have given expression to this viewpoint before in this house—I have always marvelled at the mentality of a man who wanted a government job, and I have advised many a young man to forget about it, to get out on his own, to solve the problem of existence for himself, and enjoy the happy state of security as the result of his own efforts. To me it is apparent, as a result of my own personal history, that in a surprisingly short time they would find that they had solved the problem of existence and they would be squared away to proceed by their own individual effort to greater things. That, to my mind, is the advice we ought to give the young men of this country who want a government job: Go on your own.

I suppose we shall always have among our people those who want that sense of security and who do not seem to have the power to get it under their own steam. Perhaps it is a good thing that we are not all constituted alike, although it would be better by far, I think, if we could live under our own initiative and under that alone.

I do not think I need say very much more about this measure. I intend to support the principle of the bill and to reserve to myself at all events the right of constructive criticism when we come to deal with the details. Before I sit down I am going to make an appeal to the minister and to the ministry that before this bill passes out of the chamber ample opportunity to be heard should be given those who are directly interested in it—much more interested in it than we are as legislators. They are the men who will have to make the payments, whether they represent industry or labour, and I suggest that they should have an opportunity to sit in on the committee, not only with respect to the principle of the bill but with respect also to its details. That, I think, is their right, and much as I should regret its involving delay in the prorogation of parliament, personally I am prepared to stay here until it is done.

An hon. MEMBER: It was not done in 1935.

Mr. HANSON (York-Sunbury): It was not necessary.

Mr. A. W. NEILL (Comox-Alberni): I was glad to hear the minister talk about the dying days of the session; in my opinion that suggestion should have been true two weeks ago. In the long debates of this session I have taken no part whatever because I considered that I best carried out the wishes of my constituents and the interests of the country by keeping quiet and letting the government put through their necessary legislation, war measures and estimates, so as to dismiss us in order that they might devote their whole energy to the all-important task of prosecuting the war. This particular measure, however, is so important, more so than any other, with the exception of the war measures, that we have had before us in the last five or six years, that I do feel impelled to speak briefly upon it.

First I should like to compliment the leader of the opposition (Mr. Hanson) on the wonderful analysis he made of the bill, far superior to anything I can offer. He ran the whole scale from criticism to philosophy. I do not propose to deal with the measure at that length. I do not agree with all the remarks he made, but by and large it was a fine analysis. There can be few men in this house—largely through the effluxion of time and defeat—who have taken a keener interest and over a longer period of time than I have taken in this matter. I was a member of the committee that sat in 1928 and 1929 for two long sessions dealing with the subject, and between that time and the year 1934 I brought it up in the house some six times. Last year, 1939, I moved a resolution bringing the matter forward again and urging that it was necessary. The debate will be found in *Hansard* of February 20, 1939. It happened to come on at an early date and there was a long discussion covering nearly fifty pages of *Hansard*. The debate was held on a high plane. Without depreciating the remarks of many other members who took part in the discussion, I think particularly of the remarks of the hon. members for Essex East (Mr. Martin), Davenport (Mr. MacNicol), and Vancouver East (Mr. MacInnis). The debate was also noted for the cordial support the proposal received from all members who spoke—and there were many who spoke—with the exception of one or two in the southeast corner, the social credit group, who with their usual attachment to theoretical impossibilities moved an amendment embodying two changes which would have made it utterly and entirely impossible to enact or carry out a measure of this kind. A vote was not taken because the thing was talked out.

When we consider that Britain has had unemployment insurance for thirty years, that all parts of the British empire of any importance, with the exception of Canada, have had it for some time; that thirteen or fourteen countries in Europe have it now; and that the United States adopted it two years ago—

Mr. MacNICOL: Every state.

Mr. NEILL: It is in operation now in every state. The scheme embraces in all these countries some 90,000,000 people—insured people—not a population of 90,000,000, because the population figures would give a far greater total than that. All these schemes are on the basis indicated in the motion I moved last year and which is before us now. It is contrary to the proposal set forward in the amendment moved by my friends in the social credit group, and we must believe that the majority are correct. When our friends can convince 90,000,000 people, or a tenth or a hundredth part of that number, then we shall be prepared to subscribe to their view of the situation. So general was the approval at that time that it is unnecessary for me now to set up a straw man in order to knock it down. It is better that we should give some consideration to objections that have been raised outside the house.

I have two letters from companies in British Columbia who make suggestions very much along the lines indicated by the leader of the opposition. They want time to consider the question, to see how it will affect the industry as a whole. If we were going to have a session in September or October or early in November, that suggestion might have been worth considering, but I think the suggestion put forward by the leader of the opposition, that the bill should be sent to a committee, would meet the situation amply and give every interest desiring to appear, an opportunity to come forward.

I am speaking subject to correction, because I have not a distinct recollection; but I believe that when Right Hon. Mr. Bennett introduced a bill similar to this we made the same plea from this side of the house and were turned down. I am pretty sure I personally suggested that that bill be sent to a committee, more particularly in view of some of its many details, because I discovered by a casual inspection of the measure that a certain class of my constituents would have had to pay their contribution, and, according to the wording of the act, would not have been able to get anything if they were out of work.

I think the bill should go to a committee of some kind, but failing that I do not see why it should be postponed until next spring. It will be forty weeks or perhaps more than a year before payments will be made under it, and in any case it will be necesssary to have the act amended next year, because new acts of this sort, intricate as they are, always require revision. The war is now on and payrolls should be fairly good, and it is desirable to start a reserve fund, which would be useful to meet the heavy draft that will be made upon it after the war is over.

The leader of the opposition has to a considerable extent used the language that I was going to employ in connection with the representations of the Canadian manufacturers and the Canadian chamber of commerce. If there are any reactionary bodies on God's green earth it is these two organizations. I recall the opposition they made to old age pensions. They fought tooth and nail against it. We passed that act and nothing dreadful has happened in consequence. The time has long gone by, as Mr. Bennett would say, when it was customary for some of us to allude to the Conservative party as reactionary, but they are communistic in their ideas compared to the Canadian Manufacturers' Association. I am glad to say that the Conservative party has had this plank in its platform for a number of years, and so have the Liberals.

I have in my hand the letter to which the leader of the opposition alluded, from the Canadian chamber of commerce. To put it coarsely, I would say it is a piece of hypocritical bunk. The bunk is displayed by the fact that the logic is all wrong, and the hypocrisy is revealed by the fact that the greater part of their argument is put as a plea for the poor working man. They feel that the poor working man cannot stand any more drain on his resources! If that is not hypocrisy I do not know what it is. The poor working man is not a fool; he will not mind paying something if he gets good value for it, and an arrangement by which he and another body share the expense of the benefit he receives is surely not going to hurt him. He will be all for it.

Then they talk about the national defence tax; the poor working man has to pay that. They talk about dreading trouble that will come upon us, they say, because the poor working man has to pay this tax and his attention will be diverted from buying war savings certificates. "Bunk" is the correct description. The real reason is revealed in the fact that it means more cost to themselves. If they stated that frankly and honestly I would pay more attention to them. Here is one argument: "Another addition to present reductions from the worker's wages may lead to further demands from labour and add gener-

ally to its unsettlement in war time." Is it not a good idea that if the working man spends something on this sort of thing he will not have so much to spend on buying goods, therefore there will not be the same likelihood of an increase in the price of goods, and he will have something to cushion the situation when the fall comes after the war is over?

They also say that they do not think the government is consistent in taking this stand, because they are out for economy. Cheap, shortsighted, ostrich-headed vision! Do they want a bloody revolution after the war? Think of all these idle men who will come back. They will not stand for the situation that prevailed last time.

I know all the standard arguments. It will be said that this will never cure unemployment. No; I and those who advocate it never said it would. But it will help to soften the shock between very active employment and sudden dropping off; and as I said, it will help to keep down purchasing and prices just now and enable the workers to have something later on.

There is a class of people—probably few in numbers, but they always seem to rise to the top in the Canadian Manufacturers Association—who regard any concession to what is called "the working man," whether he wears a white collar or dungarees, as something taken out of their pockets. They think they are being robbed. Look at the situation in the United States before the system they now have was introduced, which apparently is working fairly well. I quote from the speech I made on February 20 of last year. I drew attention to alternative schemes along this line, and said I would address myself to these reactionaries. I quote from *Hansard* of 1939 at page 1104:

> Take the Townsend scheme, which proposed a pension to everyone, rich or poor, at the age of sixty, of $200 per month. It has been calculated by experts, taking the United States as a good illustration, that that would involve the payment of half the national income to eight per cent of the population. . . . The prices of ordinary articles of consumption would have to be raised at least seventy-five per cent. The low wage worker would have his income cut from one-third to three-sevenths. Yet that scheme got a large vote in the United States.

A fantastic idiotic thing like that!

> Or let them take, if they prefer it, the Lundeen scheme which was put forward in the congress of the United States by people who frankly called themselves communists.
>
> There was to be no contributory payment, no cessation of drawing the allowance, and no limit. Everyone, rich and poor, was to get it—doctors, lawyers, farmers, everyone. The compensation to be paid would come to more than the average small earner earns, so that it would constitute a premium on losing a job rather than on getting one. Also it was not to be run by the government but by what is practically a soviet. Well, that scheme, foolish as it was, got fifty votes in the congress at Washington; men like ourselves, presumably sane, voted for a thing like that.
>
> Then there was the Sheridan Downey plan. I do not know whether he originated it, but certainly he ran on it in California. The proposal was to give $30 every Thursday to everyone after the age of fifty. It was a scheme propounded by the initiative in that state. Mr. Downey, who put it forward, was elected senator by a large majority, and the governor was also elected on that ticket, although the scheme itself was defeated.
>
> The reason I have mentioned these schemes is this: I ask the house to look at them, and I ask people who do not approve of unemployment insurance to look at the vote these schemes got.

An hon. MEMBER: Tell us about social credit.

Mr. NEILL: We have not come to that yet. I do not talk about social credit because I do not understand it.

I ask people who do not approve of unemployment insurance to consider the extent to which these schemes were endorsed although they were utterly wild, could not possibly succeed, and would result in the economic ruin of the people, and be not less injurious to those in whose name and for whose benefit they were put forward, bringing the whole economic structure down about our heads. Do the people who oppose this legislation prefer one of these wild-eyed schemes to a moderate, actuarially sound scheme of unemployment insurance? What if the men coming back from the war, feeling that no party is going to do anything for them, should take it into their heads to vote for one of these schemes, which would get them nowhere? In other words, the Canadian Manufacturers Association and the Canadian chamber of commerce had better accept this measure lest worse come upon them.

Now the government has secured the consent of the provinces, and I wish to give to whoever is entitled to it great credit for having obtained it; for certainly last year I saw no prospect of that at all. It is due either to great diplomacy on the part of this government or to a revival of common sense on the part of the provinces. And they have now got the sanction of the British government. For the benefit, therefore, of the workers and of society at large, and for the protection even of those who oppose this measure, let us get to work and put the bill through and make it as workable as possible. Details will no doubt be discussed in committee of the whole when

the bill comes forward and also when it goes, as I hope it will, to the committee suggested by the leader of the opposition.

There was one thing the leader of the opposition said with which I hardly agree. He criticized the fact, which seemed to him obvious, and I suppose to some extent is in certain industries, that it would be a case of those who are safe paying for those who are exposed. But is that not the principle of all insurance? I pay for fire insurance on my house and if I go for years and years and do not have a fire I do not begrudge it, because I have contributed to indemnity in case I need it. The same is true of life insurance. It all hinges on those who are in a position to pay paying for those who suffer misfortune.

The hon. gentleman also spoke about its being required to be actuarially sound. But that has to be judged on the long view. We recall that when it was started in Great Britain they had millions of pounds ahead; during the war, and after the war they went millions of pounds behind. I believe there was some adjustment, but I understand they have repaid the greater part of that loss. It might appear to be desperately unsound to-day, but it might be all right taking the longer vision. It has to be considered along those lines.

Then people talk about the cost. Of course you can talk in millions; it seems a large sum, but a great deal depends on how wide is the basis of people from whom it is drawn. I suggest this question to the house: Can the government and can the country afford not to have it—not, can they afford to have it? If they consider it in this way I believe hon. members will support the bill. I wish it all success. I expect we shall get fuller details in committee of the whole, and possibly in a special committee to which the minister, if he is well advised, will send it.

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, since this resolution deals only with the principle which will be contained in the bill to be based upon it, that is, unemployment insurance, I do not think it requires any long discussion. That is also so because of the fact, as the minister pointed out, that this question has been before the country for a long time, approximately twenty-one years. Various royal commissions and other bodies have discussed the question from time to time, and all, I think, without exception, have given their approval to unemployment insurance as a measure of social security. It was approved by the national employment commission in 1938. It was approved by the Sirois commission in the report recently released. In 1935 this parliament adopted an unemployment insurance bill, and from what little advance notice I have had of this bill I gather it will be somewhat similar to the measure enacted in 1935, with certain changes and modifications which have been indicated by our experience since that time.

For these reasons I do not think any long debate is necessary at this time. I wish, however, to direct attention to a statement made during the debate on the resolution requesting the imperial parliament to amend the British North America Act. In referring to what I said on that occasion the hon. member for Trinity (Mr. Roebuck) said I had opposed the measure because it was not a cure-all for our social ills. I say most emphatically that I did not oppose the measure at all. I have always supported it, not only on this occasion but every time it has been brought up in the house. As a matter of fact, as a member of organized labour of long standing I supported this principle long before it was accepted by many in this house. But to say that it is not a cure for all our social ills, and even to say it is not a cure for unemployment, is only stating a fact. There is something it does; as far as it goes it is a planned and orderly way of dealing with a social problem, and to that extent I think it should have the approval of everyone who believes in dealing with these matters in an orderly, planned manner.

I was amused by a reference made by both the Minister of Labour (Mr. McLarty) and the Leader of the Opposition (Mr. Hanson) to the loyalty of the organized labour movement, in a somewhat condescending manner. Whoever suggested that at any time the working class of any country had been disloyal? When we look for and find disloyalty to-day it is not among the ranks of the working class or in organized labour; we find it among the upper two hundred, or four hundred, as the case may be. I think we should get away from this idea of patting labour on the back and saying, "You are very loyal, and we appreciate your loyalty." What would we think of the trades and labour congress or the committee for industrial organization if at their meetings they said, "Well, we do appreciate the loyalty and patriotism of the Canadian chamber of commerce," or the Canadian Manufacturers Association or some other group of employers? It would be just as reasonable and as becoming for organized labour to refer patronizingly to the loyalty and patriotism of the Canadian chamber of

commerce—which is very doubtful, of course—as it is for people in this house, and these other organizations, to refer in that way to the working class and the organized labour movement.

Mr. McLARTY: I wonder if I might interrupt my hon. friend for just a moment. As far as my reference was concerned it had nothing whatever to do with the matter of loyalty. I was referring to the splendid cooperation.

Mr. MacINNIS: If I have misunderstood my hon. friend I am sorry. I think we should be very careful in considering proposals suggesting postponement of this measure, although I agree with the leader of the opposition and the hon. member for Comox-Alberni (Mr. Neill) that it would be an excellent idea to send the bill to a special committee, where those who support it and those who oppose it would have an opportunity to put forward their points of view, and where we might also hear some suggestions as to possible improvement of the measure.

I do not think it is necessary for me at this time to say anything more. When we see the bill and have time to study it; when it is considered by the committee of the whole, or, better still, when it is sent to a special committee, we will have an opportunity of discussing it in every detail and offering any suggestions we may think desirable in order to improve it.

Mr. HANSON (York-Sunbury): If I may be allowed just a word, Mr. Speaker, I deny that in anything I said in this house I was patronizing anybody, least of all organized labour. I was simply cordially agreeing with the minister in the complimentary reference he made to labour in Canada, trying to associate myself in a very feeble way, if I may say so, with his remarks. I resent the idea that may be suggested as a result of the hon. gentleman's remarks, that I was patronizing labour or anybody else. I do not patronize people.

Mr. McLARTY: Just in line with what the leader of the opposition (Mr. Hanson) has said, I had no intention of being patronizing. I simply wished to express my appreciation of the splendid cooperation we have received from labour, and the matter of loyalty did not enter into it, because it could not.

Mr. E. G. HANSELL (Macleod): Perhaps at this stage of the debate it is not necessary for us to say a great deal, but when the resolution reaches the committee stage, or when the various sections of the bill to be founded upon the resolution are being discussed, we may have just a little more to say. The leader of this group, the hon. member for Lethbridge (Mr. Blackmore), has already expressed our opinions and desires with regard to the matter of unemployment insurance, and I need not repeat his statements in that regard.

I would, however, remind the house—and I think my reminder is logical—that this resolution is indicative of the fact that the government evidently expects unemployment to be a permanent problem. We realize—and this group has directed attention to this fact time and time again—that the old order has passed away, that we have reached a high state of progress where the machine is continually putting men out of work. Nevertheless, even though that be our contention, when it comes to a matter of unemployment insurance and the necessity for such legislation we still have to ask ourselves: Why should there be any unemployment in a country such as Canada, a country with tremendous potential wealth and undeveloped resources? The facts are self-evident. I suppose that when parliament prorogues, many of the western members will go home by automobile. Each and every one of them will have to cross the boundary and go home via a United States route. Why? Because we have not an all-Canada national highway. With all the men who have been unemployed during the last ten years we have not been able to complete that national highway. There is only one answer—we have not had the money. I am not going to inflict upon the house a discussion of our monetary theories; I simply want to remind hon. members that we have unemployed in an undeveloped country. I suggest also that even if industry in this country should reach its full productive capacity, we shall still have unemployment.

I think I am right in saying it is the Liberal policy that, along with social legislation such as this, industry itself must be revived. Since this resolution was placed upon the order paper the other day I have been browsing through *Hansard* of a few years ago. When an unemployment insurance measure was introduced in 1935, considerable debate took place. The then leader of the opposition, the present Prime Minister (Mr. Mackenzie King), made reference to the necessity for a revival of industry and trade. His remarks at that time were not startling by any means, but I should like to quote from page 739 of *Hansard* of February 12, 1935. The present Prime Minister is reported as saying:

> Looking at the question of social legislation it is necessary to take a bird's eye view of the whole. Considering what was done by the provinces as well as by the dominion by way of social legislation between 1921 and 1930 one must realize that what the provinces could

do depended more than anything else upon the dominion's policies with respect to trade and those other policies which had to do with the revival of industry and business. To restore prosperity was the great objective which the Liberal government had before it.

I suppose it was not news that the great objective which the Liberal government had before it was to restore prosperity. But we want to know now, after this government has been in power for four or five years from 1935, how much industry has been revived as a result of Liberal policies. Although certain trade agreements designed to increase our export market were entered into, unemployment relief rolls continued to increase throughout the years. I should like to quote the Prime Minister a little further along the same line. I quote from page 741 of *Hansard* of 1935:

As I said a few moments ago social legislation is a type of legislation intended to assist those who, were it not for the legislation passed, might find it difficult or be unable to get along. Of all classes in society which then is the class we ought first to consider?

I am going to pause there for a moment by way of comment. Of course the bill is not before us, but I fancy we shall discover that this is an entirely contributory scheme.

Mr. HANSON (York-Sunbury): I hope so.

Mr. HANSELL: The leader of the opposition (Mr. Hanson) says he hopes so. It must be realized that in any such scheme the only beneficiaries will be those who are employed, receiving wages and able to contribute. According to what the Prime Minister said in 1935, those who should be cared for first are those unfortunate enough to be unable to secure employment. He said that they should be the government's first concern. There was some merit to the scheme to assist the unemployed by means of the Unemployment and Agricultural Assistance Act, but such legislation does not remedy unemployment. So long as we have a tremendous unemployment problem, so long as we have large relief rolls, there will be great numbers who cannot possibly come within the scope of social legislation such as this. I continue to quote the Prime Minister:

The Liberal administration gave the preference, as I believe any administration in Canada would have done, to the men who have served their country overseas, and to the dependants of those who lost their lives or were incapacitated in the great war.

I should like to comment a little on that statement. While something has been done for the returned men, who will say that the legislation to provide for those who served in the war of 1914-18 has been adequate to meet their needs? The expression has been used that the returned soldier is the forgotten man. We have, I know, our pensions scheme. Nevertheless it is a well recognized fact that many of the men who offered their lives in the service of their country from 1914 to 1918 have been forced on to the relief rolls in the past ten years. I claim, and this group claims, that any man who offers his life in the service of his country in time of war should at least be given the reciprocal advantage of the government offering him security for life when he returns. That is only reasonable, and yet we find, as I have said, that many of our returned men have in the past ten years been forced to go on the relief rolls and live in poverty and misery in Canada.

How often as members of parliament have we had applications from the widows of returned men? They have come to parliament and to our rooms asking if something could not be done on behalf of the widows of returned men. I am not concerned with whether the returned man was wounded in action or not, if he offered his life for his country and then died prematurely and his widow was thrown on relief—and that has happened in many cases—she should have consideration. I go on with the quotation:

That obligation was accepted by the country and always will be, I hope, as the first of all the obligations of a social nature. Next to that all important portion of our population there come those who because of advancing years find themselves either unable to earn sufficient to satisfy their essential needs or who are thrown out of employment, not through any fault of their own, but simply because of that which we have been discussing so much of late, namely, the high rate of pressure at which industry is carried on—

There is one virtue in the Prime Minister's words; he did realize, away back in 1935, that we were coming into a highly industrialized age.

—the new inventions, the machinery used and the like. Men and women who have given their lives to acquiring skill in a particular industry may find themselves, just because of their advancing years, the first to be thrown out when a period of unemployment comes. The employer, through no lack of sympathy but simply because he has to reduce his staff, begins to reduce, and those he lets go first are not the younger persons, not the more active and alert, but those whose years are advancing. They are thrown out of employment first. Knowing that to be so, we felt that those of advanced years were the first to be looked after in any scheme of social insurance. The Liberal administration of the day accordingly brought in an old age pension scheme.

I think we have reason to compliment the Liberal government of that day upon bringing the old age pension scheme into force. But I say that it is not yet adequate to provide

properly for the aged, for those very people to whom the Prime Minister referred so feelingly in 1935. Our attention is constantly being drawn to people who, although thrifty all their lives, have eventually been thrown out of employment and have applied for pensions on reaching the age of seventy. Then to their surprise what do they discover? They have to sign their property over to the government as security for the moneys that may be paid out. It is not very encouraging for aged people to have to do that, and so, Mr. Speaker, I say that the old age pension scheme is still not adequate to-day. I go on with a few more lines of the quotation:

> In connection with that scheme we had carefully to consider, as I have pointed out, the three factors I have mentioned this afternoon —first, the financial condition of the country and where the money was to come from.

You see, Mr. Speaker, it is the same old story—where is the money to come from? So I expect that this insurance scheme is going to be contributory, and I am going to use a phrase which the member for Jasper-Edson (Mr. Kuhl) whispered a little while ago. Any contributory insurance scheme under the present monetary policy of the country is not an unemployment insurance scheme but in reality a scheme for the redistribution of poverty.

I listened with interest to the remarks of the leader of the opposition this afternoon. He said that he wanted to be certain that the insurance scheme was actuarially sound, and that if in the future there should be any deficit in the fund the taxpayers would have to foot the bill. That seems to be a favourite expression in discussion of measures of this kind. I recall that a few weeks ago the leader of the opposition, in the debate on the address, I believe, said, in reference to the Conservative administration of some years ago, that they did not feel they could ask the people of Canada for defence preparations in years gone by because they could not ask them for the money. It is the same old story, and the leader of the opposition to-day is evidently under the impression that the only place where the government can get money is from the pockets of the taxpayers.

Mr. MacNICOL: Where else?

Mr. HANSELL: But there is a limit. The pockets of the taxpayers may be empty. Where is the answer to that? Suppose their pockets are empty? The leader of the opposition may say what he likes about the monetary proposals of this group, but I say that the Canadian people should know now that the leader of the once great Conservative party in this country—

Mr. GRAYDON: What does the hon. member mean by "once"?

Mr. HANSELL: I mean exactly what I say—the once great Conservative party. I do not say that the Conservative party at large is of the same opinion as their leader. What I am saying is that this country should know that the leader of the once great Conservative party knows of only one place where to get money, and that is from the taxpayers.

This world is moving rapidly to a changed order, and the change is going to be along monetary lines. I do not intend at this time to discuss monetary policies, but it is the contention of this group that there could be a system of unemployment insurance on a non-contributory basis. I repeat that the leader of the Conservative party knows of only one place to get money, and that is from the taxpayer.

Mr. JOHNSTON (Bow River): He is old-fashioned; that is all.

Mr. BROOKS: Your party had better get somewhere before you suggest too much.

Mr. JOHNSTON (Bow River): Your own party is not doing so much.

Mr. BROOKS: Social credit has not got anywhere yet.

Mr. JOHNSTON (Bow River): Where has Conservatism got?

Mr. HANSELL: I fully expected that Conservative members would come to the rescue of their leader. That is natural; it is their privilege.

Mr. JOHNSTON (Bow River): They have a hard job, though.

Mr. HANSELL: The leader of the opposition has said that the taxpayer would have to foot the bill. Now let us suppose that there is no deficit; even then the taxpayer would have to foot the bill. Why? Under a contributory scheme of insurance both the wage-earner and the industrial corporation are required to contribute. Their contributions are written into the costs of production of the particular industry, and the taxpayers who are consumers must pay a higher price for the products of that industry. Therefore the taxpayers have to pay in any event.

The scheme now before us is being initiated in time of war. If we reach our full productive capacity during the war, it is to be supposed that the great majority of those

now unemployed will be put to work. But there is going to be an aftermath of the war, and I agree with the leader of the opposition that under present fiscal and monetary policies something serious will happen when the rolls of the unemployed begin to expand after the war is over and somebody has to pay the bill. It is true that under our present monetary policy the taxpayer must pay. Personally, and not speaking now for my group, I am disappointed that the proposal made by the Prime Minister at the beginning of this session was not carried through, namely, that a committee of the house should be set up to discuss after-war problems, because this is one scheme which will encounter serious difficulties when the war is over and the industrial pace of this country begins to decline.

I should like to say a word on behalf of the agricultural industry. Evidently agriculture is not to be included in this scheme. It seems to me that in almost everything we do, the primary producer gets the raw end of the deal. I do not know why that should be so. I do not intend to discuss the Prairie Farm Assistance Act, but under its terms the farmer is contributing and is shouldering his own relief problem. I believe that the industry of agriculture should receive consideration in some manner, if it be possible, in connection with this bill. I do not know just how it could be done. I assume that the Minister of Labour (Mr. McLarty) has made an endeavour to solve the problem, and I hope he can suggest, either in committee on the resolution or when the bill to be founded on it is being discussed in the house, a possible way for the farmers to receive the benefits of the scheme.

I do not believe that our group will be found in opposition to this legislation. Broadly speaking, under the present economic set-up, it will help to some extent to relieve unemployment so far as financing the unemployed is concerned. But we believe that, provided a change of the monetary policy of this country were brought about, a much better measure could be put into effect.

Mr. GORDON GRAYDON (Peel): Mr. Speaker, in rising to take part in the discussion of this resolution, which perhaps transcends in importance any resolution which has come before the house in recent years, I am fully conscious of the effects which the proposed legislation will have upon a large section of the Canadian people. I was amazed to learn from the Minister of Labour (Mr. McLarty) how large a number of people will be affected by the measure. If I remember his words and figures correctly, 2,100,000 workers will be directly concerned, and the number is increased to 4,660,000 by the numbers, dependants included, who will stand to gain some benefit from the proposed legislation. This alone indicates the extensive scope of the measure which is about to be introduced.

While, I confess, I have not had a long experience in public life, one thing which has impressed itself upon me in connection with this particular legislation is the length of time which democracy takes to get needed reforms completed and concluded. I was interested in the minister's remark about prorogation and his suggestion that we might endeavour to push this measure through as quickly as possible. With that I agree, but may I add that it seems strange that this question of hurrying and hastening the legislation should arise, at this stage, after the matter has been discussed on the hustings, in the press, and on the floor of this chamber for a period of at least twenty years. I feel that under these circumstances the demand for haste comes a little late so far as this parliament is concerned.

To me it is a condemnation of the government—and I say this in a friendly and fair way—that there has never seemed to be any logical reason why the address could not have been brought before the house at the very beginning of the session. Had that been done, the British House of Commons and the House of Lords would have had an opportunity of dealing with this matter much earlier, and an opportunity would have been given to this chamber to consider the measure with more deliberation, perhaps during the middle stages of the present session, instead of being called upon to deal with a matter of such importance in the dying days thereof. That would have enabled us to have the committee suggested by the leader of the opposition (Mr. Hanson), to which representations could have been made by the various interests that are necessarily affected by a bill of this sort. Most laymen are not perhaps so much interested in the constitutionality of legislation such as this, or in the various details of its operation except in so far as they affect the interests of these people. But they are all wondering, notwithstanding the explanation given by the Prime Minister (Mr. Mackenzie King) during this session, why we have waited twenty years for such a bill to be put on the statute books. That question has not been definitely answered by anyone that I have heard in this house or outside.

Most people believe that during the days of prosperity which followed the close of the last war we experienced in Canada a great inflationary movement whereby wages were

higher than they are to-day, prices of agricultural products were greater, a larger volume of money was being handled by the Canadian people and the incomes of most citizens were higher than they are even at the present time. Yet, during that whole period, under the Liberal regime, from 1921 to 1930, we had an opportunity which was passed up when an unemployment insurance scheme could have been introduced into this house. True, there may have been constitutional difficulties in the way at that time, but what can we not do when we really put our minds to it? If we want to rid this problem of its red tape and its constitutional difficulties we know what to do; as the Minister of Labour pointed out, it took only a few minutes of the time of the British parliament to give us the power to do what we are now attempting. There was therefore no logical excuse for waiting until this day and hour for the introduction of something that means so much to a great section of our Canadian people.

Let me say a word with regard to the working men of Canada. I have lived among them, and I live among them to-day. I meet them from day to day, and I try fully to understand and appreciate their problems. I can say, from the experience I have had and from my knowledge of the working men of Canada, that in the past few years they have been faced with a situation which I hope will not be repeated in this dominion in the years to come. Throughout the length and breadth of the country one hears people theorizing about the condition of the working man and his family without understanding the problems which these people have to face. I often wonder how many men who speak in these terms of the working man really know the plight in which he finds himself to-day. Many of these working men get low wages—and I know this because I come in contact with many of my neighbours who receive low returns for their work and know what they have to put up with, the trials they are faced with year in and year out. It appals me. It makes me ashamed that conditions of that kind should exist in a productive land like Canada. But what is worse, the bread winners of these families, drawing low wages, in many instances do not get sufficient to cover any of the emergencies that may arise, or even to provide adequately for their present needs. It is impossible for them to make such provision, and for that reason I appeal to the government and the people of Canada to deal with the problem of the working man earnestly before it is too late.

We often hear it said that the working man worships false gods in economics and politics, but there is a legitimate excuse for that. How many members of this house, if they had to keep wives and families on $12 and $13 a week, year in and year out, would not be tempted to worship the same gods, political and economic? So far as the working man and his family are concerned, I want to pay them a tribute for their splendid contribution to Canada's war effort. I was glad to hear the leader of the opposition make a statement along this line, in such uncompromising terms, when he pointed out that on the outbreak of war, and as the war progressed, there was not a section of the country, rich or poor, that gave more unstintingly of their loyalty and service to the cause of the empire than the working men of Canada and their families. They deserve every credit.

We are sometimes prone in this country to place undue emphasis on certain sections and classes of the population and to regard them as the great empire and nation builders of the land. In peace or war the working man and his family, together with the great agricultural communities, provide the lubrication for our financial and economic machinery, to a greater extent perhaps than any other section of the population. These men and their families are to-day bearing a heavy load in connection with enlistment for war service. In all parts of the country one can see where the working men's sons in great numbers are enlisting for service in the air, on the sea and on the land. In time of war the working man bears a heavy share of the burden; in times of depression the burden falls just as heavily upon him. And all the time, while such matters are being considered, the ghost that haunts these people—and I know this because I talk with them day after day—is insecurity for the future.

After all, these men and women are just as anxious as any other class in the community to have their boys and girls get a decent share of the educational facilities afforded in Canada, and when they do get that opportunity one finds men and women, from their ranks, rising to positions of prominence in every line of endeavour. They have made a substantial contribution to the progress of Canada in agriculture, in business and in public life.

I welcome the bill to be based on this resolution because, while I realize that it may be perhaps more limited in its application than most of us might wish, and will not meet all the hopes, dreams and desires of the working man, at least it is a step in the right direction. Because it will give some additional measure of security to that section of our

people, I believe that all hon. members will want to have their share in supporting this measure.

I might refer to another matter which is agitating the average working man and his family to-day. It is well known that when changes take place in price levels, when the cost of living takes its upward course in times like these, wages do not always follow the rise in the cost of living. To-day throughout Canada working men find this rise taking place. I know I shall be supported by hon. members who have working men in their ridings when I say that in spite of the excellent efforts of the war-time prices and trade board the cost of living has gone up to a degree which is perhaps not realized by all hon. members, and wages have not in the main proportionately increased. The government might well take into consideration the question of the rising prices of some commodities that the working man has to buy; for in many industries wages are stationary, and the rising cost of living is bringing about an almost impossible situation for working people who even previously were having great difficulty in carrying on.

I hope that the bill which the minister brings down will contain a measure of real relief to the men and women who are engaged in one of the nation's most important and valuable efforts, that is those who do manual labour in the factories and plants in this country. I am not so much concerned about the legal and technical and constitutional aspects as I am about the results. As I have said more often perhaps on the hustings than in the house—many seem to have more courage on the hustings—we underestimate the intelligence of the people of Canada if we think that we can increase the pay of those on the government payroll, if we think that as a government we can keep on paying fancy salaries to people on commissions such as will be set up under the proposed bill or throughout the government service. I say to the Prime Minister and the Minister of Labour, all they need do is to sit down in any country store for half an hour, or stand on the corner of any street in any town in Canada and ask people what they think about the salaries paid to some men in the public service and on commissions as compared with salaries and wages earned by many of our people. They will find a body of public opinion which is simply boiling over at the thought that at this time when we are asking for equality of sacrifice and service, there is actually not complete equality of sacrifice and service at all.

I do not believe in being a demagogue and stirring up passions in regard to these matters, but I believe this thing should be said plainly and clearly in this house. You cannot expect a working man and his wife, who are trying to live on twelve or fifteen dollars a week and who read in the newspapers from time to time of the salaries being paid to men and women, men particularly, in this country for services the importance of which is perhaps not always appreciated, to be entirely satisfied. To say the least, it does not advance or promote the kind of national unity that this country so sorely needs to-day. So I say, without the slightest hint of unfriendly criticism but with all the emphasis at my command, that not only during this war time but in the period to follow we must see to it that the working men of this country are satisfied that there is some semblance of equality of sacrifice on the part of different classes of citizens of our land. The working people expect that, and as the Minister of Labour said, they constitute over forty per cent of the entire population. They have a voice which speaks loudly, and I urge upon the minister that the relief given to the working men of Canada in his bill be concrete, definite, and that it shall mean to them something more than just another piece of legislation.

Right Hon. W. L. MACKENZIE KING (Prime Minister): All hon. members who have spoken on the resolution this afternoon have been in complete agreement as to their support of the principle of the bill to be based upon it. In these circumstances I would not think of detaining the house more than a few minutes to add anything to what has been said by the Minister of Labour (Mr. McLarty) and other hon. members who have spoken on the motion. However, one or two questions have been raised by the leader of the opposition (Mr. Hanson) and other hon. members, and I might attempt to answer very briefly the points which I believe are uppermost in their minds.

Let me say first that with respect to the personal interest which I have had for years in the question of unemployment insurance, as with respect to all other forms of social insurance, I do not intend to say anything this afternoon. I think my record in these matters is sufficiently well known.

Also I do not think it necessary to review the different discussions which have taken place in this house with respect to unemployment insurance. Speaking the other day, June 25, on the resolution relating to the address to the parliament of the United Kingdom for the amendment of the British North America Act, I did give a brief outline of discussions which had taken place; all that I think it necessary to say on that score

was said at that time. I should, however, like to make perfectly clear this afternoon the purpose of the government with respect to the enactment of this measure at this session. It is our desire and intention, unless something wholly unforeseen should arise, to have the measure enacted at the present session of parliament. As hon. members know, and as the hon. member who has just spoken said a moment ago, we have been waiting a long time for the opportunity to enact an unemployment insurance measure.

The hon. member for Peel (Mr. Graydon) said that people were asking why it had taken twenty years to reach the time when an unemployment measure could be introduced in this parliament. My answer is that this has been due to the fact that it was considered advisable and in fact it was necessary to obtain the cooperation of all the provinces of Canada if such a measure were to be an enactment of the federal parliament; and it was not until this very year that for the first time in the history of this country it was found possible to get all provinces to agree to an amendment to the British North America Act which would permit of the enactment of an unemployment insurance measure by this parliament. Speaking on this point on a previous occasion I said I did not know that it was necessary for us to wait until all the provinces had agreed. As a matter of fact, I would say emphatically that I do not believe the assent of every province is necessary to permit both houses of this parliament to address the British parliament with respect to an amendment to the British North America Act; but I do think it is all to the good as respects this particular measure that we have been able to secure the cooperation of every province. As late as last year three provinces continued to withhold their consent. I doubt whether we would have been justified in attempting to go ahead with the measure under those circumstances. This year, however, all the provinces have fallen in line, and in proceeding this session we are taking the very first opportunity to introduce an unemployment insurance measure now that we have secured this general agreement.

Of course at the time the British North America Act was passed it was never thought national developments would take place as rapidly as they have in our dominion. When the British North America Act was passed, the provinces were scattered; questions relating to employment and the like were left to the provincial legislatures. I do not imagine the fathers of confederation dreamed that many of the problems with which we are faced to-day would come into existence in the course of a century; but they have come upon us rapidly, as all things have developed in the last few years, so that to-day we are faced with entirely new conditions.

There is one fortunate circumstance that we should perhaps note in connection with this unavoidable delay. It has given our parliament an opportunity to be guided in its action in this important matter by the report of the Sirois commission on dominion-provincial relations. To-day the government has before it the assurance of that commission that in its opinion the enactment of such a measure by the federal parliament is desirable at this time. By proceeding with the measure this session we are doing right in losing no time in getting it upon our statute books in the form of an enactment.

There is another reason why it is desirable to proceed with this measure this session. No one can say what matters we may have before us at another session of parliament. To-day the way is sufficiently clear for us to give our thought, time and attention to measures of this kind; but to what matters this parliament may be called upon to give consideration at another session, I think almost any one of us would hesitate even to surmise.

I agree with the leader of the opposition and others who have suggested that there should be no undue haste in the consideration of this legislation. There is plenty of time to give ample consideration to all the provisions of this bill, and on behalf of the government I say that we wish to have the matter very fully and carefully considered. We do not wish to press it unduly in any way; rather do we invite the fullest consideration by both houses of parliament to this very important measure.

In this connection may I say a word with regard to the point raised by the leader of the opposition and, I think, dwelt upon also by the hon. member for Peel, as to why we were so late in introducing the bill into this house. I think I can answer that in a word. The government has had a very important legislative programme, the most important part, of course, having had to do with war measures it was necessary to introduce. Naturally such measures were given precedence, and they have occupied most of the time of the house up to the present. In particular I would mention the war budget, to which the leader of the opposition has referred. The hon. gentleman made a significant point in referring to the budget, when he drew attention to the fact that the budget had an important bearing upon this measure. The government would have been unwise had it attempted to intro-

duce this measure before the introduction of the budget. That was at least one of the reasons why we did not introduce this measure at an earlier stage of the session. We felt that hon. members, as well as the taxpayers throughout the country, would wish to know what was in the budget, and what their obligations under it would be before we introduced a measure which, as my hon. friend has rightly said, would have an important bearing upon the proposals contained in the budget. As to the possibility of addressing the British parliament at an earlier stage, in dealing with that matter previously I think I said that I did not believe the British parliament would take more than a day or two at the most to meet the request of this parliament. I had the best of reasons for my belief; and, that being so, we did not feel it necessary to ask both houses to consider the address at an earlier date.

The last point I have noted relates to the best method of considering this bill. The leader of the opposition has suggested that after second reading it might be referred to the banking and commerce committee or to a special committee of this house, in order that business men, manufacturers, labour and others should be given ample opportunity to appreciate, understand and, if desired, make representations concerning its provisions. I am inclined to believe that the extent to which any of these parties may wish to review this legislation will be seen when the bill itself is brought down to be more apparent than real. After all, all classes in the country had ample opportunity to consider a similar measure some years ago. I believe they will be agreeably surprised when they consider the differences between the present measure and the one which was introduced and passed this parliament in 1935. At any rate they are already familiar with the sort of provisions that will be found in this bill. Naturally, until they see the bill they will wish some opportunity, should it then be thought necessary, to be heard with respect to its provisions. But if the bill is distributed immediately, particularly to those who have asked to be informed as to its provisions; if they are given, as they certainly will be, an opportunity of perusing it carefully and making representations to a committee of the cabinet if not to the government in its entirety, that may amply serve their purpose. If that opportunity does not appear to be sufficient, I may say that so far as the government are concerned we have an open mind with respect to having the bill referred to a committee. We have a standing committee that has to do with industrial and international relations which might be the appropriate committee to which to send the bill. But if debating it in committee of the whole house instead should prove to be adequate, we may save time by following the usual procedure. On the other hand I may say quite frankly that if there does appear to be any real, substantial demand and necessity for having a special committee of the house appointed to which the bill may be referred and before which those interested may be heard, that is a matter to which my colleagues and I are quite prepared to give consideration between now and the time second reading is given.

I should like to say just one word in conclusion. I agree with the leader of the opposition that until the bill itself is before the house and its provisions are known to all hon. members, probably we shall be consuming unnecessary time if we begin to debate the resolution at any length. With the unanimity that has been expressed to-day from all sides of the house as to the principle of the bill, I should hope that we might be justified in passing the resolution without much in the way of further debate, and the bill given first reading a little later in the day.

Mr. MacNICOL: When a similar bill was under consideration in 1935 did not the senate appoint a committee before which appeared people from all over Canada, representing all schools of thought?

Mr. MACKENZIE KING: My recollection is that that was done and it is quite possible it may be done again in the other house.

Mr. HANSON (York-Sunbury): We have no control over them.

Mr. MACKENZIE KING: We have no control over the other house.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

PRIVATE BILLS

THE CEDAR RAPIDS MANUFACTURING AND POWER COMPANY

The house in committee on Bill No. 44, respecting the Cedar Rapids Manufacturing and Power Company—Mr. Abbott—Mr. Vien in the chair.

On section 1—Power to sell or dispose of undertaking.

Mr. STIRLING: Mr. Chairman, I do not know whether the sponsor has given any

explanation of this bill. Would he explain why it is necessary at this stage to ask for these powers?

Mr. ABBOTT: It was explained on the first reading of the bill that the additional powers which the company is seeking are powers possessed by all commercial companies incorporated under the dominion Companies Act. They are powers included in section 14 of that act. The first powers, sought by paragraph (g), are identical with the equivalent powers contained in the general Companies Act. The second powers, sought by paragraph (h), to distribute among the shareholders of the company in kind, specie or otherwise, any property or assets of the company, are the same as those granted under the Companies Act except that there is omitted any reference to surrendering the charter of the company because obviously that cannot apply to a company incorporated by special act. The third powers, sought by paragraph (i), are to amalgamate or consolidate with any other company. I do not know whether I explained on the first reading of the bill that the Cedar Rapids Manufacturing and Power company is a subsidiary of Montreal Light, Heat and Power Consolidated, which owns, I am informed, all the shares with the exception of 100 odd, which include the directors' qualifying shares and a few shares in the hands of individual shareholders who, again I am informed, cannot be traced because their addresses have been lost. To all intents and purposes this company is a wholly owned subsidiary of Montreal Light, Heat and Power Consolidated.

Mr. HANSON (York-Sunbury): The hon. gentleman has told us the objects of the bill. Will he explain the underlying reasons for asking for these powers now? Is it the intention to consolidate the company with Montreal Light, Heat and Power Consolidated, or just why are these powers being sought at this time? These are powers which are not in the original act but are enjoyed of course by companies incorporated under the Companies Act as it now stands. There must be a reason why the company wants these powers. What is the intention of the company?

Mr. ABBOTT: I am advised that it may be the intention to eliminate the subsidiary and transfer the assets to the parent company. I believe that was discussed when the bill was in the miscellaneous private bills committee.

Mr. HANSON (York-Sunbury): I was not there.

Mr. MacNICOL: Having in mind that only a short time ago we granted power to Beauharnois to divert the whole of the river, starting with 30,000 cubic feet per second and then, later on, the whole river, I would suggest that this company will not have any power to sell. Once the river is diverted, what more is there to sell? They will not be able to sell any power.

Mr. ABBOTT: I am afraid I am not able to throw any light on that subject.

Mr. CHURCH: Mr. Chairman, I wish to ask the sponsor of the bill a question or two. First, let me say that private bills should be considered on the proper nights, Tuesdays and Fridays, but last night a bill respecting another power company went through without anybody here hearing it read or knowing what was going on. That was the Ottawa Electric company bill. Parliament should be very careful not to grant any monopolies now that war is on. The bill that went through last night for the Ottawa Electric company was among a batch of divorce bills being read. With our soldiers fighting overseas for our country, we should be careful not to grant monopolies to power, light and transportation companies because after the war the wreckage will be so great there will be nothing left to salvage, and if these mergers of power companies are permitted, the people will have to pay high rates for essential services of all kinds. The Cedar Rapids company came to parliament and got a charter, and this is no time for the company to be coming to parliament for an amendment to permit trafficking in the company's shares without the people who will be affected in the municipalities knowing anything about it. As I said, we amended the charter of another power company last night. They wanted to merge with some subsidiaries with a view to economy. I believe that we should have a report made on all these bills by the proper officers of the department concerned. Otherwise we shall simply be creating monopolies in this country, and we shall have so many boards with their officials that they will reach, four deep, from here to Lansdowne park. We should have somebody to tell us whether these bills are within our power to pass or not. Not by the widest stretch of the imagination can this bill be said to be a work for the general advantage of Canada, and it is amending the Companies Act to grant them certain privileges by special act. Parliament should go slow in passing these bills to permit these added powers.

Section agreed to.

Bill reported, read the third time and passed.

STANSTEAD AND SHERBROOKE INSURANCE COMPANY

The house in committee on Bill No. 33, to incorporate the Stanstead and Sherbrooke Insurance Company—Mr. Gingues—Mr. Vien in the chair.

Mr. HANSON (York-Sunbury): I should like to ask the sponsor if this bill has the sanction of the federal department of insurance?

Mr. GINGUES: The bill was approved by the committee last week.

Mr. HANSON (York-Sunbury): Has the superintendent of insurance approved it?

Mr. GINGUES: Yes.

Sections 1 to 10 inclusive agreed to.

On section 11—Cash payment on deposit note.

Mr. HANSON (York-Sunbury): May we have some explanation of section 11? We are putting this bill through so fast that I cannot follow it.

Mr. GINGUES: The company was organized about 105 years ago, and has operated by statute since its formation. In the beginning, business was confined to the two counties of Stanstead and Sherbrooke. After a while the company extended their operations elsewhere in the province of Quebec, and later on they did business in other provinces, so to-day they are asking permission to operate by federal charter to facilitate doing business all over the country. The superintendent of insurance has approved this bill. In any event, if there were anything wrong we would not have to worry about it, because no changes can be made until they have been approved by the department of insurance of the province of Quebec. We have given a similar privilege to the Canadian Mercantile Insurance company and other companies. I ask the committee to approve this bill.

Mr. HANSON (York-Sunbury): This is an old company which is now seeking a federal charter; I understand that much. It has operated on the mutual system from time to time; that would appear to be a fair inference. What is meant by section 8, that a policy-holder before he receives his policy shall deposit his note, and that sort of thing? What is the system under which they have these deposit notes, which are referred to again in section 11? Would the hon. member explain these sections?

Mr. GINGUES: The company will operate in the same way as it did before. The only difference is that it will operate under a federal charter instead of under a provincial statute.

[Mr. Church.]

Mr. HANSON (York-Sunbury): I do not understand it.

Mr. CASTLEDEN: I should like to have an explanation of subsection 1 of section 11. Do I understand by that subsection that those who are assessed may make a payment by note? It is not very clear.

Mr. GINGUES: The same as with all mutual companies.

Mr. CASTLEDEN: Is the payment by note?

Mr. MACDONALD (Brantford City): The custom is that a note is deposited for the premium; the full amount is not paid at the time. When moneys are required the directors can call upon the one who gives the note, to the extent of its value.

The CHAIRMAN: I think the answer will be found by reading section 11:

> A cash payment on account of the deposit note in such amount as the directors may determine by their by-laws may be demanded and received from the policy-holder on the mutual system before he obtains his policy and the remainder shall be payable wholly or in part at any time when the directors deem the same to be necessary for the payment of the losses or expenses of the company.

I might explain to the committee that, under the mutual insurance system of the province of Quebec—and I believe the same system is in operation in at least some other provinces—each member of a mutual company gives a deposit note and receives a policy assuring him of a certain benefit in case of losses by fire.

Mr. HANSON (York-Sunbury): Each policy-holder?

The CHAIRMAN: Each policy-holder. Then, if there are losses suffered by other policy-holders, each policy-holder is called upon to honour his note on calls made by the directorate, as set out in section 1, to meet the losses as they arise.

Section agreed to.

On section 12—Cancellation of mutual policies.

Mr. CHURCH: I should like to know from the Minister of Finance (Mr. Ilsley) if the superintendent of insurance has looked into this bill, of which the first twelve clauses of powers are already before the committee. What is the policy of the government regarding this particular type of insurance company with wide powers to deal in about fifteen classes of various kinds of insurance? We have now a deluge of them in Canada. Some of them, as we found out last session, were

simply getting a legal franchise and peddling it over the country for gain as a charter. Has the government any policy as to giving insurance companies of this description such very wide powers as are contained in sections 7 to 12? What does the superintendent of insurance say about the matter?

Mr. ILSLEY: I must say that I have not a memorandum from the superintendent of insurance concerning this particular bill. I was going to ask that the third reading should stand until the next sitting of the house so as to make sure there is no objection from the superintendent. I am satisfied that there is not, otherwise I should have heard from him, because undoubtedly the matter came to his attention, and the hon. member who is sponsoring the bill says that the superintendent approves it. Further than that, I have no information to give the committee.

Mr. KINLEY: I might say it is true that it was approved by the superintendent of insurance before the banking and commerce committee.

Section agreed to.

Sections 13 to 22 inclusive agreed to.

Bill reported.

DETROIT AND WINDSOR SUBWAY COMPANY

The house in committee on Bill No. 35, respecting the Detroit and Windsor Subway Company—Mr. Martin—Mr. Vien in the chair.

On section 1—Capital stock increased.

The CHAIRMAN: Subsection 2 of section 7, of the original act, introduced by section 1 of this bill, was amended in the senate by adding in the third line of subsection 2, after the word "stock," the words "without nominal or par value."

Mr. MACDONALD (Brantford City): The hon. member should explain the amendment.

Mr. MARTIN: The matter came up in committee for consideration, and I believe that, with the exception of the provision now section 2 of the bill, it met with the approval of the committee, in principle. I believe it was on the suggestion of the solicitor for the corporation that section 2 appearing on page 2 of the bill was added, and the provision of that amended section is that in the event of the surrender of the shares authorized by section 1 not having been fully completed in accordance with the powers conferred by the act, then the privileges accorded by the act are to be regarded as not having been extended.

The whole purpose of the bill lies in the capital structure of the company, which originally authorized one million shares without par value. All the shares are issued and outstanding and, with the exception of the directors' qualifying shares, are owned by a company known as the Detroit and Canada Tunnel Corporation, which is a Michigan company. No public interest whatever is involved and no actual interest of any Canadian body is concerned in the bill. It is a matter of internal economy of the Canadian company requiring a readjustment of the share capital which will enable the United States company to avoid what would be undoubtedly unjust taxation having regard to the value of the shares held by it in the Canadian company. I submit that the bill deserves to be passed in the form in which it now is.

Section agreed to.

Section 2 agreed to.

Bill reported, read the third time and passed.

UNEMPLOYMENT INSURANCE

FUND TO BE ADMINISTERED BY COMMISSION ASSISTED BY ADVISORY COMMITTEE—PROVISION FOR EMPLOYMENT SERVICE

The house resumed consideration of the motion of Mr. McLarty, that the house go into committee to consider the following resolution:

That it is expedient to introduce a bill to enact a scheme of national unemployment insurance to be administered by a commission appointed by the governor in council, and to create an unemployment insurance fund from contributions from specified persons and from moneys provided by parliament, for the payment of insurance benefits, to be administered by the commission assisted by an advisory committee; with provision also for the organization and maintenance of an employment service administered by the commission with the advice and assistance of a national employment committee; also with power to the governor in council to establish committees and boards subsidiary to the commission and to enter into agreements with the governments of other countries for reciprocal arrangements relating to unemployment insurance; with provision for the remuneration of the commissioners and the appointment and remuneration of such officers, clerks and employees as may be required for the due carrying out of the provisions of the act and for the costs of administration.

Mr. T. L. CHURCH (Broadview): This resolution contemplates a system of unemployment insurance with contributions to a fund from specified persons, together with moneys provided by parliament, for the payment of insurance benefits. Everyone admits the principle of unemployment insurance. Indeed, this question has been before parliament for a considerable time, long before I

entered the house. It formed a part of the Liberal platform of 1919, but we in Canada do not seem to be able to do anything at the right time. We generally do the wrong thing at the right time. The principle of unemployment insurance is something that we should have adopted years ago, but the British North America Act has been blamed for our failure to adopt it. I submit that what we need is a British North America Act for the living and not for the dead.

I should like to find out something about the subject matter of this resolution. Everybody is in agreement with the principle of this form of insurance, but I want to find out whether the government really intend to carry it out, and put it into effect as soon as possible this year. Having regard to the burdens, the artificial barriers, and the restraints placed upon business to-day by the war and by the budget, do the government really intend to go ahead this year with this scheme, in such a time as this, adding to the burdens both of industry and of labour and putting more men out of employment? We ought to know that before the resolution is adopted. Has the country at the present time the ability to pay, and what do labour and industry say about the matter?

We have nearly reached the sixty-third day of the session. How does it come about that the government have waited until to-day to bring forward such a programme as this? They have waited until after the bringing down of the budget. If they do not intend to go ahead with this scheme, why do they introduce the legislation? I believe in the principle of private enterprise and initiative as against state trading and the nationalization of industry. I was a member of the house in 1922, and I remember when I was one of two Conservatives who then supported the principles of old age pensions, sickness and unemployment insurance, and hospitalization. I have supported these social forms of legislation as I always do, and I have never voted for legislation against human rights or human nature or social legislation for the masses of the country. But is this the time for this legislation, and are the government in earnest?

In 1922 and 1923 I supported unemployment insurance because at that time I believe we had the power to bring in such an insurance measure under the much abused British North America Act. Grants were made by this parliament for technical education and old age pensions, and could have been made for sickness and unemployment insurance in the same method and way under the part of section 91 relating to "public debt and property". That is how this parliament got jurisdiction over votes for technical education and old age pensions, and under the same clause, notwithstanding what the law courts say, they had power to make these voluntary grants for this work if they saw fit, and could have extended it to unemployment insurance by votes to the provinces for them also to administer it.

I should like to find out something from the Minister of Labour (Mr. McLarty) while one of his supporters from Vancouver is talking to him over there—I should like to have the amiable minister's attention, Mr. Chairman, when the hon. member for Vancouver East (Mr. MacInnis) gets through; I do not object to him being over there; in fact, I am glad to see him over there; I think sometimes he looks better over there than here. But I should like to find out whether the government really means business about this scheme and is going to put it into effect as soon as possible, because there is no money provided for it in the present budget. Is the government going to run up an overdraft, and, if so, to what extent? Then I should like to know whether there have been any conferences with industry and labour on this question, in view of the budget which is such a heavy burden on the working classes, a budget which industry cannot carry, which is simply leading to state socialism.

I have been a consistent supporter of sickness and unemployment insurance ever since I have been in parliament. I refer to some remarks I made in the debate on unemployment insurance on March 31, 1936, supporting the principle, because I have always been a consistent supporter of labour and of trades unionism in this house and out of it, and one of the things I am glad of is that during a long public career which has not been without considerable stress and strain, I have nevertheless always managed to receive and retain the support of the very large majority of the working classes not only of Ontario and Toronto district but of this country. And I shall continue to support any useful social legislation on their behalf at this time, or any other time, but the government should tell us why this legislation has been left until this time, why it is brought down now, and when they will put it into effect. The past five years have been years of wasted opportunity in both peace and war alike, by this government. They have been too late all along the line; they thought they had all eternity in which to bring about a system of sickness and unemployment insurance and to order a national registration of man-power.

The Victorian era built up assets for the future, but this generation has been squandering them in the name of state socialism. In the Victorian era the people kept the state; to-day the way we are drifting towards state socialism, the state keeps the people. If this is just going to be a resolution to be passed and left there, the minister should say so, and tell us why it will not be put into effect as soon as possible. How is it going to affect industry and labour and the relief of these unemployed people next winter? The two industrial provinces will have to bear the burden. Ontario and Quebec are paying eighty per cent of the cash taxes, including income and sales taxes. Has the government consulted industry and labour in Ontario and Quebec about this policy, and are they going to put it through, and, if so, then what is going to be the effect on relief and relief grants to the municipalities during the coming winter, which is going to be the worst winter this country has ever experienced? Are the provinces going to unload all the main burdens on our cities?

In Canada we have a war of two kinds, as I have before described in the debates on relief on April 1, 1936, when I said:

> We have a war in Canada to-day, a war between millions of our fellow men and poverty and starvation, a war between youth and poverty. The enemy is just as dangerous as a foreign foe in war time. Against a foreign foe we unite; against our internal foe we are disunited, and do nothing to check or repel it. When the invader is at our gates the country mobilizes its entire resources, its man-power, its transportation system, its capital, but in time of depression and unemployment driving people to the wall the industrial workers are left without any protection at all; they bear the brunt and we do nothing but sit around and appoint commissions.

Regarding the other kind of war I then went on to say in support of a system of unemployment insurance instead of the dole, on a bill of the minister of labour of that day:

> I would like to say a word or two in relation to industrial employment, because I want to contrast with the precepts of christianity the way the industrial workers are used. Contrast our professions with the ruthless competition, the cruelty and vice of present-day business and industry. Here personality counts as nothing, the dollar is all supreme. Modern life is machine life, soulless, a life of standardization, high-speed production, a highly efficient organization for the making of profit. Everything is done in the mass, and life is made uniform, monotonous and artificial.

I was urging this scheme on the people four years ago. I said further:

> Wages are shockingly low, often below the level of mere subsistence, so that people are forced into immoral and criminal ways of life to eke out a precarious livelihood. The maximum in hours of work is exacted in return for the minimum in wages. Senior employees, whose lifeblood has been drawn from them by long years of faithful service, are in many cases cast out without retiring allowance to make room for younger and cheaper people.

This shows the necessity for the principle of this resolution.

> It matters not what suffering is entailed for human beings so long as the stockholders are paid their dividends. This amazing selfishness and shortsightedness of the modern industrial system is creating a progressively lower standard of living and a vicious struggle for existence on the part of the working people, and increasingly serious social problems which must find their tragic solution either in war or in revolution. In the face of modern methods of competitive living the royal law of love, bear ye one another's burdens and so fulfil the law of Christ, is a hollow mockery in Canada, presumably a christian country. This is the contradiction of modern life: a truly wonderful appreciation of the value of the single soul in some quarters, but an absolute denial of any such value in others.

That is all too true, Mr. Speaker.

Regarding the necessity for this measure, I proposed in 1935, 1936, 1937, 1938 and 1939 an unemployment insurance scheme for the youth of Canada which, if it had been adopted, would have saved this country some part of the $900,000,000, because that is what the dominion, the provinces and the municipalities have paid out without an insurance scheme for relief work, unemployment relief and all that kind of thing, and nothing to show for it except the dole. The system I proposed was national service for youth, instead of riding the rods, a service by which youth could learn a trade and get pocket-money, food and raiment as well as military national service, and at the end of his apprenticeship he would be an air mechanic or pilot or fitted for a journeyman in twelve of Canada's key industries. If that national apprenticeship policy I proposed four years ago had been adopted, Canada would have got a substantial part of the Chamberlain rearmament orders here, whereas Canada got only one per cent of them, while all these men were on the dole, and youth left to ride the rods and seek employment all over Canada.

I have only a few more words to say. I do not wish to delay the new minister in getting his resolution through, but I should like to have two or three questions answered. Is this resolution going to be a substitute next winter for the relief grants now cut to pieces by provinces? The provincial secretary of Ontario has announced that starting on the 22nd instant great numbers of men who cannot get a job are to be cut off all forms whatever of relief. Many of these men are not able to work. I should like to know where the jobs are, because I have about

two hundred men in my own riding and large numbers of others looking for jobs all the year round. They are not fit for the jobs the Ontario government say they can get in new Ontario and other places. When these grants are cut off, who will have to pay? Is it to be the hard pressed municipalities of Ontario and Quebec, which have had the income tax and other forms of taxes taken away from them by federal and provincial authorities? Are these people to be dumped on the steps of the city or town halls in the industrial provinces of Ontario and Quebec and other provinces, while the provinces will say, "Go to Ottawa; they have a system of unemployment insurance; let Ottawa take care of it? It is their duty, not ours, and let real estate pay for it all." I believe the government should have a conference with industry and labour in order to see where this is going to end. This is a good form of protection, but I believe in protection for all the people all the time, not just for some of the people some of the time.

There is another matter as well. These artificial barriers, liabilities, burdens, taxes and restrictions placed upon business are blows to every private enterprise in Canada, and they cannot stand it very much longer. I support the principle of this measure and the necessity for it, as I have always supported it; but I doubt the ability of industry and labour to carry it, and the time, in view of the budget and the war, to pay for it. I doubt whether this is the time to bring up this issue in Canada, with industry being driven to the wall as I have described it, with the war, the loss of markets, the gold situation, and the march of Hitler closing some of our industries.

I have been a consistent supporter of labour. When I was mayor of Toronto I instituted the eight hour day in all civic undertakings, which involved several thousands of men; I brought in the platoon system in the fire and police departments, and supported pension systems among the civic employees of these and other departments and boards. I have been a consistent supporter of public ownership utilities which have established pension and insurance schemes for their own employees. Many of the larger private utility industries have these pension and retirement schemes as well. Is it fair and equitable to load this added cost on those industries? We must consider the ability of industry and labour to pay, with a war on.

The Sirois report referred to this matter. What has happened to that report on this question? It has been committed to the archives—"Earth to earth, ashes to ashes, dust to dust", along with the ill-fated voluntary registration of women—in sure and certain hope that this be the last heard of it by this government.

The other day the Prime Minister (Mr. Mackenzie King) said that the scheme would come into operation as soon as possible. That is what the government said when it was part of the 1919 Liberal platform, and in 1922, when I was a member of the committee which recommended old age pensions and unemployment insurance. That was my first session of parliament, and I was one of the two Conservative members of that committee to vote for that report.

I want to find out from the minister, now that he is going to have an unemployment insurance scheme for civilians who stay at home, what the government are going to do in regard to a national system of insurance for our soldiers, these young men of nineteen, twenty and twenty-one, many of whom are in the air over England and Germany to-day, forming our first and only line of defence for Canada, because Britain is our last hope of defence for Canada and insurance for our soldiers after they return home after demobilization.

This matter has been made a political football. Since the beginning of this session I have asked five ministers what the government proposed to do, but as yet I have had no answer. I also asked that question during the war session, and last week I asked it of the Minister of Finance, who once again promised consideration. Yesterday I saw 400 men lined up in front of the armouries on University avenue in Toronto, a large number of them young industrial workers, who want to fight Hitler, not the sham of home defence. They receive $1.30 a day, and when they are at the exhibition grounds they have to pay twenty-five or thirty cents a day for carfare. When I was head of the municipality, soldiers could travel on the old civic car line system free of charge, but now they have to pay, while this parliament provides automobiles for officers, some non-commissioned officers and favourites. I ask parliament to pay for this carfare now in this war because times have changed.

What are the government going to do? Does this system of unemployment insurance provide for the soldiers overseas, or just for those who stay at home? Will it provide protection for soldiers when they return home, broken in body and spirit, after fighting the battles of this country against Germany? Is any action to be taken, or is our insurance just for home fighting to be done by our

home guards, who are to be insured under this resolution and have employment, and who train for a few weeks every year?

These are questions I think the minister should answer, and the returned men are expecting an answer from this government. As long as hon. gentlemen opposite are the government of the day, the onus and responsibility are upon them, not upon the opposition, to decide and settle this soldier problem for their dependents. I believe some announcement should be made immediately, for the sake of those who have gone overseas as well as for the sake of those enlisting, as to whether or not there is going to be an insurance scheme instituted for these men.

During the great war the city of Toronto insured 60,000 men. That was a splendid system, which greatly assisted recruiting. I do not know what would ever have been done by the dependent families without that. Nearly 6,000 soldiers from Toronto alone lost their lives in that war, and this insurance was a wonderful help to those who were left behind. As I pointed out during the war session, the United States had a national insurance system covering soldiers who went overseas. Last year the then Minister of Finance stated that the government could borrow money for two-thirds of one per cent, and there is now a great deal of money in the banks drawing little or no interest at all, so I think money should be available for a scheme of this kind, adapted to Canada's circumstances. The United States effected great economies and avoided a huge bill of costs after the war by means of their insurance scheme, so I hope the minister will make some announcement before this measure leaves this house, of a national insurance scheme for soldiers, with clauses for after the war to ensure against unemployment.

Once more the municipalities are going to find themselves in difficulties next winter with relief. In their budgets last spring they placed certain sums for relief. Now, with the province and no doubt the dominion cutting relief allowances to pieces, the municipalities will have to find an amount equal in some places to perhaps another mill or a mill and a half on their tax rate in order to take care of their relief problem and look after these poor people who cannot obtain employment, and real estate will have to bear the load. It is an intolerable burden that the average taxpayer can stand no longer our overgovernment and overtaxation.

Motion agreed to and the house went into committee, Mr. Vien in the chair.

Mr. ROEBUCK: I should like to put myself right with the hon. member for Vancouver East (Mr. MacInnis), who this afternoon complained that I had said he had opposed the measure during the debate on the constitutional resolution concerning the amendment to the British North America Act. Let me say to the committee that I acquit the hon. member for Vancouver East of ever having opposed the measure, and may I point out that during the previous debate I did not say he had opposed it. The hon. gentleman said this:

> . . . unemployment insurance, when we get it, will not be a solution of the social problems which confront us in this country. Unemployment insurance has not solved the social problems in any country where it has been put into effect.

My words were these:

> The measure has been attacked in the house this afternoon, first by the hon. member for Lethbridge (Mr. Blackmore), on the ground that it is not a cure for unemployment; second, by the hon. member for Vancouver East (Mr. MacInnis), on the ground that it is not a cure for social ills.

I may have erred in using the word "attacked", although those words did seem to me to be an attack on the measure. But I accept the hon. member's explanation in its entirety, and I want to say that I did not say he had ever opposed this legislation. I hope that makes it right between us.

I would not speak on this measure again were it not for the fact that this question has been raised. There has been something in the nature of a competition among hon. members to decide who has supported an unemployment insurance measure the greatest length of time. I think I hold the record because the Prime Minister moved a resolution at the great Liberal convention of 1919 favouring unemployment insurance.

An hon. MEMBER: This is 1940.

Mr. MACKENZIE (Vancouver Centre): Coming of age.

Mr. MacNICOL: Twenty-one years is a long time to be asleep.

Mr. ROEBUCK: The Prime Minister moved that resolution over twenty years ago and I had the honour of seconding it on the floor of the convention. So I have supported such a move for a long time. I do not think it is necessary for any of us to protest our interest in this legislation, our loyalty to the principle involved and our desire to see it work. I know this legislation will pass, and I do not think it is necessary for us to support it by making long speeches either in the committee or in the house.

Mr. GREEN: The minister made no explanation this afternoon with respect to that part

of the resolution which provides for the setting up of a national employment service. This particular part reads:

. . . with provision also for the organization and maintenance of an employment service administered by the commission with the advice and assistance of a national employment committee.

The minister will remember that the Purvis commission recommended the setting up of honorary advisory committees which would serve in the different parts of Canada and be able to advise on the problems peculiar to their respective districts. I hope that that recommendation is not being overlooked in the bill to be founded on this resolution.

Mr. CHURCH: A commission a day will keep Hitler away.

Mr. McLARTY: I think if the hon. member waits until the bill is before us, he will have a more complete answer. Speaking purely from recollection, I think the provisions relevant to the setting up of employment offices are similar, if not identical, to those of the 1935 act.

Resolution reported, read the second time and concurred in. Mr. McLarty thereupon moved for leave to introduce Bill No. 98 to establish an unemployment insurance commission, to provide for insurance against unemployment, to establish an employment service, and for other purposes related thereto.

Motion agreed to and bill read the first time.

WAYS AND MEANS

SPECIAL WAR REVENUE ACT

The house in committee of ways and means, Mr. Vien in the chair.

5. That the said act be amended by adding thereto after section eighty-eight the following section:

"88A. (1) In addition to any duty or tax that may be payable under this act, or any other statute, there shall be imposed, levied and collected a war exchange tax of ten per cent on the value for duty of all goods imported into Canada, payable by the importer or transferee who takes the goods out of bond for consumption at the time when the goods are imported or taken out of warehouse for consumption.

(2) The tax imposed by this section shall not apply to any goods imported into Canada,—

(a) which are entitled to entry under the British preferential tariff, or under trade agreements between Canada and other British countries;

(b) which are entitled to entry under customs tariff items 360, 460, 690, 690a, 696a, 700, 700a, 701, 702, 703a, 704, 705, 705a, 706, 707, 708, 709; or to fish caught by fishermen in vessels registered in Canada or owned by any person domiciled in Canada and the products thereof carried from the fisheries in such vessels.

(3) Where the wartime prices and trade board reports to the governor in council that any producer or producers of goods have taken advantage of the tax imposed by this section to increase the price of such goods by an amount greater than is justified by any increases properly arising from such tax in the cost of materials or parts entering into the production of such goods or to maintain prices of such goods at levels greater than are so justified, the governor in council may, upon the recommendation of the said board, impose upon all or any of the products of any such producer an excise tax at a rate not to exceed ten per cent of the selling price of such products for such period of time as he may determine remove or reduce customs duties applicable thereto for such period of time as he may determine, fix the prices thereof and/or take such other measures and impose such penalties as he may determine."

Mr. TUCKER: When the committee rose at six o'clock yesterday I was dealing with the position of agriculture in our economic set-up and pointing out that that industry was in a very much depressed condition. While on the face of it, a ten per cent tax on all imports might appear to be fair, the fact is that such a tax will bear harder upon an industry which is in a depressed condition. I was starting to point out that a tax of ten per cent on imports such as fruits and so on would mean little added burden in increased price, while the same tax on farm implements would mean a greatly added burden to the farmers of this country. For instance, a tax of ten per cent will mean an added cost of approximately $100 for a heavy tractor. That is a far more serious matter than a few extra cents a pound on a luxury such as fruit.

At times I feel certain that many hon. members representing city constituencies have no conception of the depressed condition of agriculture. During the last four or five years there has been a tendency on the part of members representing agricultural districts to refrain from indicating how bad conditions are in the agricultural industry because they fear that other members may think they are exaggerating. That being the situation, I thought I could not do better than bring to the attention of this committee a study of national income which was made by experts for the benefit of the royal commission on dominion-provincial relations. They looked at the matter objectively. They were not biased one way or the other, and it seemed to me that if I could bring home to the Minister of Finance and the government just how depressed the agricultural industry is in this country, and particularly in Saskatchewan, there would be

no thought of applying this 10 per cent tax to the implements of primary production, especially those used in agriculture.

Lest I should forget, I should like to point out that it is good Liberal doctrine that if you put a tariff on anything—and this is a tariff although you call it by another name—your manufacturers within the country take advantage of that tariff protection upon the commodities you import to raise their prices. That, as I understand it, has been one of our basic objections as a Liberal party to tariff protection, namely, that manufacturers within the country tended to raise their prices to take advantage of the protection. I think it is true in regard to the agricultural industry that for every dollar extra which the farmer pays on the implements he imports, he will pay probably five or more dollars to the manufacturers within Canada in increased prices.

I am quite aware that it will be argued that the amendment which has been moved by the minister will take care of that, but I know that most Liberal members will agree with me that the amendment providing that any unjustified increase in price shall be taken care of in the way it suggests will not protect the farmers of this country against an increase in the price of their farm implements.

In the first place it is common knowledge how difficult it is to call in an industry before a committee of this house or before any board and prove that the rise in price is unjustified. We had, for example, the experience of the special committee which investigated the price of farm implements. They sat for two years and had the best possible technical advice and assistance, and at the end of that time they could not be absolutely sure that the prices which were being charged for farm implements were unjustified. Under the amendment, price raises must be unjustified under present conditions; otherwise the manufacturers have a right to raise their prices. But if anything that is used in the manufacture of farm implements rises in price as a result of the increased tax, that may be advanced as one cause of the increased prices; the rise in price to the farmers may be attempted to be justified by increased costs due to unemployment insurance, or to the rise in wages, or to having to pay the national defence tax. If there is a rise in prices due to these or any other of the innumerable causes that will be operating in time of war, the answer will be made to the farmers of this country that although these price increases are occurring under the protection of this increased tariff, nevertheless they are justified by these various causes that are operating. To prove that these price rises were not justified would take months and months of investigation, I take it; by the time it was found whether or not the price increases were justified, the farmers would in the meantime have been paying these increased costs, and at the end of that time I doubt whether it could be proved whether the rise was justified or not.

I think I am on sound ground in taking this attitude, that we of the Liberal party have never believed that you could by any internal control prevent Canadian manufacturers from taking advantage of tariff protection. I think that cannot be denied. We have taken that attitude for years and years and years, and if we were right in that attitude we cannot pretend that this amendment is going to protect our farming industry from this additional tariff protection which is being given to that industry in this country.

I realize fully, Mr. Chairman, that perhaps some members of the Liberal party will not approve my saying openly on the floor of this house just what I think of this increase in tariff protection. But I believe that if we are to have a parliament in fact as well as in name, the government of the day should be willing to listen to representations on the floor of the house as to the effect of their policies, and I think they should listen with open ears because if they simply listen with no intention of giving effect to what they hear from all parts of the house, then we have not parliamentary government. Therefore I feel I am justified in rising on behalf of the great farming industry of this dominion and asking the government not only to listen to me but to pay at least some attention to what I propose to bring forward. If I failed to bring it forward I should feel that I was not doing my duty to my constituents who sent me here to represent them. They have a right to expect not only that I should rise in my place here and present reasons and facts why there should be no extra tax put upon the farming industry of this country, but that I as a Liberal member of this House of Commons have a right to be listened to by the Liberal government of this country, and so, Mr. Chairman, on that basis I venture to bring forward these suggestions.

When I was speaking before, I spoke of the depressed condition of agriculture in Canada as a whole. I now come to the condition of agriculture in Saskatchewan, with which I am more familiar, and I mention Saskatchewan not because I think it is the whole dominion at all but because other members can deal with their own provinces. I deal with agriculture in Saskatchewan, always bearing in mind

that by this tax we are putting still another burden upon the already overburdened industry of agriculture in that province.

In dealing with conditions in Saskatchewan I use figures taken from the appendix to the royal commission's report. I find there that net agricultural income in Saskatchewan in 1926 was 203·8 million dollars. I find that in 1937, the last year for which we have the figures, net agricultural income in Saskatchewan had shrunk from 203·8 million dollars to 22·7 million dollars. As I pointed out before, that includes an allowance in respect of farmers living in their own homes; that is included in that income. The annual net income of Saskatchewan farmers during the last seven years from 1931 to 1937 inclusive averaged approximately 18 million dollars, and the income in the base year of 1926 was 203·8 million dollars. Think of it, Mr. Chairman! I wonder what the representatives of manufacturing industries would say in this house if manufacturing incomes had decreased from 203·8 million dollars in 1926 to 18 million dollars on an average in those seven years.

I have tried to figure as best I could what that meant per farm in Saskatchewan. I find by the *Canada Year Book* that the number of farms in Saskatchewan, of one acre or up, was 142,391. Of that number, 1,727 farmers engaged in other occupations as well as in farming, leaving 140,664 farmers who relied upon farming entirely for their living. Dividing that number into the average income during the seven years from 1931 to 1937, I find that the average net income per farm in Saskatchewan was not quite $128 a year during all those years. I ask the government in all seriousness, Mr. Chairman, is it placing burdens fairly upon the people of this country when people in that condition are asked to pay an extra price on their implements of production?

Somebody might ask me, how is that net income made up? I want to be very frank with the committee. There is 20·4 million dollars allowed for depreciation. On buildings, depreciation is allowed of 4 per cent, and according to this report, that assumes an average life of fifty years of farm buildings. Certainly that depreciation is not excessive. On farm implements the depreciation rate is eleven per cent, which allows for an average life of eighteen years. Bearing in mind that these implements include tractors, trucks and combines, any hon. member representing a western farming constituency will say that that allowance is conservative. Therefore, if one does not allow anything for depreciation, the income is brought up to 43·1 million dollars. Supposing one assumes that the farmer shall not pay any interest whatever on his debts, and cancels the allowance of 19·73 million dollars for that purpose, his income is increased to 62·84 million dollars.

Assuming then that the farmer gets nothing to replace his machinery, nothing to replace his buildings and pays no interest on his debts, but that there is included a charge for the value of living in his own home, a charge to him for every bit of milk or cream or butter produced by him which he consumes, the average income of the farmer in Saskatchewan in 1937 was $446.73.

I realize that hon. members will be loath to accept these figures as an accurate statement of the amount upon which farmers in our province are expected to live and to bring up their families. But these are the figures produced by a royal commission, looking at this thing objectively.

I say to the government, the people of western Canada are prepared to bear their full share in fighting this war. I would be ashamed to rise in my place to-night and ask that they be relieved of the opportunity of playing a part fully comparable with that of other Canadian citizens in defence of our country and of liberty in this time of crisis. But I do ask this, that this burden shall be distributed fairly, that it shall be placed upon those best able to bear it, and that before you begin to trench upon average incomes—calculated over the last seven years—of $128 a year, you go after much larger incomes. In putting on this ten per cent extra tax which will raise the prices of the implements which the farmer must use to win a living, you are compelling him to put his family on a lower standard of living than they are on even to-day. It means also this, that the time may come when the very existence of this empire will depend upon the food-producing capacity of the agricultural industry of Canada. When that time comes, if, by putting on its back impossible burdens you have made it inefficient, unable to play its proper part in producing the food required in carrying on this war, then, if there ever was a case of being penny-wise and pound-foolish, it would be the tax at this time on the implements of primary production.

According to the *Canada Year Book* for 1939 I find that, compared with 1926, the average index figure of the value of farm crops was 52·9; of animals and their products, 76·7; and of wholly or chiefly manufactured products, 92·2. In other words, even before

the impact of this war and any additional taxation, the plight of the farmer was much worse than it was in 1926.

From my personal knowledge of the terrible position of farmers in the west, I am convinced that an extra burden in the form of having to pay more for repairs of implements, more for their overalls, more for the clothes for their families, more for their implements—and every tractor which is used on a farm in western Canada will bear this tax of ten per cent in addition to the exchange tax—will press our farmers down to a level the like of which, I am sure, this government would never want to contemplate.

We have a well-recognized policy as regards manufacturers. We say that if a manufacturer imports goods in order to make them up for reexportation, there will be a drawback. The farmer of this country has to import, for example, tractors and other machinery in order to produce his goods for export. I admit that the analogy is not perfect, but I say the fact is that the farmer has to pay more as a result of this additional tariff, in order to produce goods for export in competition with people in the Argentine and other countries who do not have to bear this burden. Is it not just as fair that the farmer should have a drawback on what he uses to produce goods for export?

Mr. ILSLEY: Would the hon. gentleman permit me? The manufacturer does not get a drawback on the duty on machinery he imports for the production of goods for export.

Mr. TUCKER: I know, Mr. Chairman. That is why I said that the situation was not exactly analogous. But the manufacturer gets a drawback in respect of a substantial part of what he needs to import for purposes of production for export. He gets that in order to keep in business. If the farmer can be shown to need a drawback on the articles he requires to import in order to produce for export, in order to keep him in business, I submit that the same principle should apply. That is why I am arguing that the great mass of our farmers, if they are to maintain a reasonable standard of living and produce for export, should not be required to pay an extra tariff tax on their implements of production at this time.

Mr. HANSON (York-Sunbury): Before the hon. member leaves that part of his speech, would he be good enough to answer a question? The hon. member has stated that there are 140,000 producing farmers in Saskatchewan in a stated year. How many farmers in Saskatchewan, because of drought, insect pests and other conditions produced nothing? What was the number of producers upon which he based the average? The figures are rather shocking.

Mr. TUCKER: I realized that the figures would be shocking so far as Saskatchewan is concerned, and I have taken the average over seven years because in some years one part of the province has been producing while in other years some other part would be productive, and it would be impossible for me to give an answer to the hon. member's question as to the number of farmers who were not actually producing. That was a seven year period, from 1931 to 1937, and the fact remains that it was on that basis that we had to do business in Saskatchewan, having a crop failure here in one year and a crop failure somewhere else the next year. It is on that basis that we shall, I suppose, have to continue doing business in that province.

I started by dealing with the whole dominion. It is generally admitted that our position in Saskatchewan is worse than it is in the rest of the dominion and I want to show how bad the situation is there. However, I am content to allow the case to rest on the condition of agriculture in the dominion as a whole. I have talked with members representing farming districts in Ontario. When I hear of the way in which the farmer's capital is being used up all over Canada; when I read of the condition in which the farmers find themselves to-day; when I read of abandoned farms throughout Ontario, within a very short distance of some of our large cities, I think it is most unwise to impose a further tax on the basic industry of the country.

Let me give some figures with regard to the income of farmers. I give these figures for the information of the leader of the opposition. Take Ontario, for example. After allowing for depreciation, the net income of the farmers of Ontario in 1937 was 153·7 millions of dollars. It had shrunk from 197·3 millions in 1926 to 153·7 millions, and in 1932 the income of the farmers of Ontario was as low as 61·4 millions, a reduction of 65 per cent. I am not speaking only for the farmers of Saskatchewan; I am trying to point out that the farmers of this great country of ours, from one end to the other, are to-day in no position to stand a further tax upon the implements of production. I appeal to the government to reconsider the position. Depressed industries with a tax of 10 per cent on the implements of production are worse off than the people concerned would be with a tax of 100 per cent on the importation of luxuries.

Mr. MACDONALD (Brantford City): Can the hon. member give the percentage of income

which the farmer spends on implements of production, and say how much difference this tax will make?

Mr. TUCKER: The estimated amount spent upon implement repair parts, which would be affected by this tax, was $1,740,000 in Saskatchewan in 1937 and $2,290,000 in 1936. The amount spent on tractor fuel, gasoline, oil and grease was $3,890,000 in 1937, which would be affected by this tax. Binder twine represented $760,000 in 1937 and $2,220,000 in 1936, and fertilizer was $260,000. These are purchases, not importations, and as I pointed out at the beginning, the putting on of a 10 per cent import tax will cause a rise in the price of what the farmers will pay—inevitably—whether the goods are made in Canada or are imported. On fencing, the amount spent in 1937 was $780,000, and so on. Apparently the amount spent on the actual purchase of farm machinery is not given here separately but is included in another item. I have given some of these items to show that an extra 10 per cent or more placed upon the articles the farmer has to buy, when his income is down to a point where he cannot live on a proper Canadian standard, will have devastating effects on the farmers of the country. I cannot emphasize that too much. I only ask the experts of the department to look into the incomes of our farmers and say whether, in their opinion, the farmers can bear a further burden in the form of a 10 per cent import tax on the implements of production.

Mr. FRASER (Peterborough West): Would it not be possible for them to buy Canadian instead of United States implements?

Mr. TUCKER: Members of the Conservative party may not agree with me in this statement, but every member of the Liberal party will, with the exception of two or three, one of whom I see opposite me at this moment—I believe he is the only one; at any rate I hope so. Members of the Liberal party will all agree with me, I say, that if you put a customs tax on the implements of production, there is an immediate tendency for the price to rise by the amount of that tax.

Mr. FRASER (Peterborough West): I believe there is a war price board that would check that.

An hon. MEMBER: You just believe that.

Mr. TUCKER: That bears out what I said. Conservative members may not agree with me. I said that we Liberals do not believe that any board can prevent companies from taking advantage of an increase in the tariff. Some members of the Conservative party believe that you can raise the tariff and then, by threatening to take away tariff protection, or by some other means, as Mr. Bennett attempted, prevent a rise in price. My own contention is—and I believe that Liberals, from the leader of the Liberal party down, will agree with me—that that did not work under the Right Hon. R. B. Bennett.

Mr. MacNICOL: But it did work.

Mr. MACDONALD (Brantford City): This amendment was not in effect at that time. Since the hon. member referred to me, I may say that I have confidence in the government and in the Minister of National Revenue, and I believe that when he puts through this amendment he means what he says.

Mr. TUCKER: I did not refer to the hon. member by name, but apparently he took to himself the remarks I made. In regard to what the hon. member has just said, about having confidence in people, and hoping that they will be able to do something which has never been done before in this country, actually sitting down and feeling in their own heart that they are going to succeed, I have talked with experts in this government as to whether they think they are going to be able to stop any rise in prices of the implements of primary production after this tax goes on, and I venture to predict here—and I know I shall be proved right by events, even though I cannot prove it on the floor of the house—that, if this tax goes into force, prices of the implements of primary production will rise within the next year, and rise quite substantially. If the minister will promise that they will not rise, that he will not permit them to rise, I shall withdraw my opposition to this resolution. But all that we are promised is that there will be no "unjustified" rise in prices. Mr. Chairman, a rise may be justified from the point of view of the manufacturer, but the question is, can it be borne by the primary producer? I realize that the manufacturer may be able to show that he is entitled to a rise in price, but I say that the primary producer cannot stand a further rise in the cost of his implements of production. For example, when all farm tractors are made in the United States, and a ten per cent tax is put on their importation, has any hon. member the hardihood to rise and say that their price will not go up? Of course it will go up.

An hon. MEMBER: The next morning.

Mr. TUCKER: Yes, and when we had such a shortage of feed in Saskatchewan, farmer after farmer was forced to dispose of his horses and go into tractor farming. Now this tax is going to increase his costs

tremendously, because the price of his gas and oil will go up, the price of repairs will go up, and the price of replacing that tractor will go up.

I do not wish to take up too much time to-night, but when there is such a radical departure in policy I feel justified in calling attention to it. I realize that it is stated that this tax will be only for the duration of the war, but does anyone know how long this war is going to last? Can anyone guarantee that, when a manufacturing industry in Canada has come to take advantage of and rely upon this ten per cent additional tax, it can be taken off at once? We know from the long story of attempts to get the tariff reduced in this country how hard it will be to have any of this protection withdrawn, no matter what is said at this time. In days to come people standing in the same position as I am will be able to read the words of the minister, but the answer will be, "If you take this tariff off, it is going to throw thousands out of employment." Which argument is going to prevail, the words of the minister in the far-off days at the beginning of this war, or the actual hard facts which will confront the government, dealing probably with a great unemployment problem at the end of this war? After all, I am only asking the government to be realistic in the matter, to realize that no board can force prices to stay where they are if a rise in the cost of production is caused by this ten per cent tax.

I understand that this tax is said to be put on for other than revenue purposes—to conserve exchange.

Mr. HANSON (York-Sunbury): They expect to get $65,000,000 from it.

Mr. TUCKER: Yes, but it was put on primarily to conserve foreign exchange.

Mr. HANSON (York-Sunbury): That is only one reason.

An hon. MEMBER: The same announcement was made in 1932.

Mr. TUCKER: It was tried by the then leader of the Conservative party on his advent to power in 1930, for the same reason. I ask any Liberal in this house, will he say it worked then?

Mr. MacNICOL: Ask the Conservatives; they will tell you.

Mr. TUCKER: They will say it did, but the people do not believe it did, and the Liberal party does not believe it did. I am speaking to the Liberal party. I realize that I cannot convert the Conservative party. We have been trying to do it for the last fifty years. But I feel that I am justified in speaking to the members of my own party. I might say that although we have not converted the few Conservative members in this house, apparently we have converted large numbers in the country to that view.

Mr. MacNICOL: But they are very sorry about it now.

Mr. TUCKER: Having converted them to that view, I submit it is a bad thing for us to turn round and be converted the other way ourselves.

It has been demonstrated that there is a more direct and more efficient way of controlling foreign exchange than by the clumsy expedient of raising the tariff. To-day practically every nation in the world uses the direct expedient, England for example. We have set up at great expense a foreign exchange control board. Under that board we can absolutely refuse to release exchange for the purchase of luxuries in other countries. If the idea is to conserve exchange we could go further, and forbid the importation of luxuries. We put on a ten per cent tax, but the wealthy man can weaken the exchange position of this country by, for example, buying an expensive motor car for $3,000 or other items of like nature, and you do not stop him by this tax. Would it not be more fair to prohibit absolutely the importation of motor cars? By this tax you do not stop the wealthy man from weakening the country's exchange position, but you do hurt the primary industries of the country.

It is not for me, a young member of the Liberal party, to argue with this government that above all we should have a low tariff on implements of production. We have always taken the position that implements of production should bear only a very low tariff, for very good reasons which I do not have to go into to-night. To put the same tariff on the implements of production as are put upon luxuries is fair neither to the primary industries nor to the long established policy of this party to which I have the honour to belong. We do not know how long the war is going to last, and while the war is in progress is the time when our primary industries should be encouraged and fostered, because they are even more important then than in the days of peace. If a low tariff is justified and proper in the days of peace, it is doubly so in the terrible days of war, and triply justified and proper when our farming industry is in a worse condition, compared with the rest of the country, than it has ever been since confederation. I submit, Mr. Chairman, that the way to conserve exchange is to prohibit the importation of luxuries that we do not need. The

government could take direct control, through the foreign exchange board, and thus avoid placing upon the back of primary industry another burden which it cannot bear at this time.

I have tried to indicate as best I could that the policy which should move us is that the burden of taxation should be spread around in time of war according to ability to bear that burden. I say advisedly and in all sincerity that if the farmers felt that similar burdens were placed upon other industries, according to their ability to pay—taking into account the shrinkage of agricultural income as compared to other industries—then agriculture, the great basic industry of Canada, would proudly and gladly go right down into the lowest levels if necessary and live upon bread and water in order to do its share in this war. But I plead with the government not to put agriculture down there by itself. That is all I ask. Treat this industry fairly as compared with the rest of the country. I do not ask any special privilege; I ask just that the government take into account first the depressed condition of agriculture; second, the fact that it produces for world export and must compete with goods from other parts of the world that are not in this war, a fact that is taken into account in regard to the taxation of other industries; and, third, I suggest that now is not a good time for us to put a tariff tax upon imports from friendly countries, particularly the United States.

Within the next few months an election will be held in that country. If you prohibit the import of luxuries from the United States, operating through the foreign exchange control board, they cannot object, because that is necessary in order to conserve our exchange to buy the necessary materials of war. But a tariff tax, no matter by what name you call it, will be used in the coming election by the Republican party as an argument with which to seek to destroy the trade policy of the present administration. I do not care what anyone may say to the contrary; I think most hon. members will agree with me when I predict that they will point to this increased tax on imports from the United States as a reason for changing their trade policies. I suggest that with many European countries closed to our exports, this is not the time for us to embark upon a policy of raising tariffs and endangering the markets that are left, especially those in the United States, at the same time endangering an administration that in season and out has fought for a good-neighbour policy with Canada. I submit that a policy of raising tariffs is dangerous, and any system that would avoid this possibility should be adopted instead of running that risk.

[Mr. Tucker.]

The CHAIRMAN: Order. I must tell the hon. gentleman that his time has expired.

Mr. TUCKER: Very well, Mr. Chairman; I thank the committee very much for listening at such length.

Mr. HANSON (York-Sunbury): Might not the hon. gentleman be allowed to continue, by unanimous consent.

The CHAIRMAN: Yes, by unanimous consent.

Mr. TUCKER: I was doing my best to watch the clock so as to conclude within my time, and I had said about all I felt it wise to say at this time. Perhaps I have said a good deal more than was wise, but I have made my remarks without regard to my personal position. I have made this statement because an embattled people, the great agricultural class of this country, struggling to bring up their families in decency and to educate them properly, have been and are being pressed to the point where they are almost desperate. I appeal to the government to-night to study these figures and see if they think it wise in these days of strife to impose an extra burden on these people and force them still lower in the economic scale. All I ask, and what I felt I must ask to be true to the people who trust me to sit here in their behalf, is that the government make that study. If they feel that this industry cannot bear an extra burden, then apply the analogy of the drawback. Do not tax the implements of primary production; exempt them from this ten per cent tax. Then, if the time comes for further sacrifice, no matter how great so long as it is equitable, the great industry of agriculture in this era, as in past eras, will be the very foundation-stone of this nation, standing against the waves and onslaughts of fascism and barbarism.

Mr. JUTRAS (Translation): Mr. Chairman, it is with a deep sense of responsibility that I rise to add a few words to the many observations that have already been made. My first attitude was to let the debate be carried on by more experienced members, especially as the time allowed for the discussion of our immediate war effort was necessarily limited because of the lightning decisions and overwhelming advance of our enemies. However, Mr. Chairman, the desire to contribute to the debate has had the better of me to-night and I ask your kind indulgence with respect to the brief observations which I shall make.

If I open my remarks in a language which is not familiar to all hon. members, it is because of my desire that my first words in

this chamber should be in my mother tongue, a desire which all hon. members will understand.

(Text) It is with a deep sense of responsibility, Mr. Chairman, that I venture to offer a few general suggestions on the question now before the committee. In a brief manner, and as concisely as possible, I wish to present an attitude which so far has not been presented to the committee, or at least has not been underlined or stressed.

This being my maiden speech, it would be my privilege, I take it, were we not in committee, to extol the natural beauties and resources of my constituency, but because of the limited time at our disposal I shall refrain from any such propaganda. I should like to point out, however, that an industry new to Manitoba is being tried out in my constituency. A sugar beet factory is now near completion, and the necessary crop has been put in by individual farmers this spring. All comment upon the new industry in that locality has been most favourable so far; the crop is very promising indeed and has given work to thousands of people. Unlike the principal field crops, a great deal of the work in connection with sugar beets must be done by hand, and as a result all the able bodied men of the community found work and earned reasonable incomes. Even children joined the drive and had the pleasant experience of earning crisp dollar bills. However, although a great deal is done by hand, most of the work is carried on by means of the imported iron horse which feeds on petroleum and marries with expensive equipment which, generally speaking, is also imported.

I quite agree that a war exchange tax of ten per cent on the value of all goods imported into Canada will serve a useful purpose in the preservation of exchange, but I hope and trust most fervently that the minister will not allow it to strike a painful blow at the none too well stabilized agricultural industry of our country. The sugar industry is entirely new in Manitoba, and many have felt that the cost of the necessary machinery was too high to warrant going into the production of sugar beets. Many, however, are trying it out this year, but I fear that if an additional weight is added to the cost of production the industry will suffer greatly. It is true that it will offer protection to the marketing of the product and I feel confident that steps will be taken to correlate the theory with the practice.

A great deal has been said about the willingness of various industrialists in Canada to help with the war effort. They have on various occasions offered their wisdom, experience and time and have placed their industries in the hands of the state. Every time I have witnessed these offers there has been a deeper belief in my soul that this country of ours was certainly a precious gem, that nothing should be spared to protect it fully and to carry it unsoiled through the infernal turmoil of the present time. I do not think there is any class more eager and willing to blot out the menacing shadow and help win this war than our agriculturists. Again and again a cry for help has been voiced on their behalf in this house, and as a new member I have wondered if the right attitude was being taken and if the picture was really being presented in its true shade. Let us remember that the farmer of Canada is not a helpless creature who should be cared for by the state. The Canadian farmer is still the back-bone of our nation, the pillar upon which rests our economic structure.

Many economists believe to-day that Europe faces the disheartening spectre of famine and that before long our great surplus of wheat, which we have come to consider as an impediment, will no doubt be envied by all. Should we not double our efforts to produce more and more of this golden grain? I believe it is our duty to do that while we can for the sake of others across the ocean who have been robbed of their opportunity to produce. Unfortunately all production is controlled somewhat by cost, and all farmers across Canada must bow to that iron rule. As I read back through *Hansard* I see that many suggestions have been made and tried. Suggestions were made to increase the selling price and to decrease the cost, and these were rather successful at the time. To-day the avenue to an increased selling price is closed and the possibilities of decreased costs are more than remote. But the wheels of our agricultural production must be kept turning and, if at all possible, speeded up. I beg the minister to keep a watchful eye on the question of costs and to prevent this ten per cent war exchange tax from adding any pressure to the already too dangerously heavy cost of agricultural production.

Mr. ROSS (Souris): I should like to make one or two observations with reference to this amendment and the argument advanced yesterday by the Minister of Finance (Mr. Ilsley). The hon. member for Rosthern (Mr. Tucker) said that he knew that none of the

Conservative group would agree with him. I may say that to quite an extent I as a Conservative do agree with him. Many of the statistics which he gave with reference to Saskatchewan apply equally to a large part of Manitoba. Probably the great difference between us is that I vote as I talk on these matters. Yesterday the hon. member for Lake Centre (Mr. Diefenbaker) stated that some $20,000,000 worth of farm implements were imported last year from the United States of America. These importations directly affect the prices of implements manufactured in Canada, especially when coupled with the prevailing tariff. In more normal times a few years ago the farmers of western Canada spent $50,000,000 annually upon farm implements. Due to depreciation and as a result of a lessened purchasing power during the past few years, it is estimated by the implement manufacturers themselves that it would require $200,000,000 to bring our farm implement equipment up to date.

Mention was made by the hon. member for Rosthern of the tariffs introduced by the former leader of the government, the Right Hon. Mr. Bennett. It is true enough that when he took office in 1930 and the various nations of the world were conducting a tariff war, Mr. Bennett did boost the tariff in order to defend this country. At the same time he had back-bone enough to go to the heads of the implement manufacturing companies and get an undertaking that they would not advance the price of implements under his regime. That undertaking was carried out. In proof of that I should like to quote from statistics which were obtained from the Massey-Harris company under date of June 3, 1940, with reference to prices of six stable farm implements for the years 1926, 1933, 1936 and 1940. These prices are as follows:

	1926	1933	1936	1940
8-foot binder	$274 00	$257 00	$275 00	$327 00
20-run double disc drill	257 00	250 50	263 50	295 25
6-section harrow and evener	41 00	41 50	41 50	46 50
2-furrow 14-inch gang plough	150 00	133 50	131 50	155 00
3-furrow tractor gang plough	156 00	166 50	167 50	183 50
8-foot cultivator	144 00	143 00	149 00	162 50

The following table shows the percentage increase in prices:

Implement	Advance in price from January, 1936 to 1940	Percentage increase
8-foot binder	$70	27
20-run drill	45	18
No. 2, 14-inch gang plough	22	16
3-furrow tractor gang plough	17	10¼
8-foot cultivator	20	14

Based upon last year's importation of farm implements amounting to $20,000,000, the proposed 10 per cent increase would mean an added burden of $2,000,000 to the farmers of western Canada. But actually it will mean much more than that. Some years ago the late Hon. Norman Rogers pointed out that the tariff had cost western Canada annually the sum of $54,000,000. During last year, as was pointed out by the hon. member for Lake Centre, 20,000,000 bushels of wheat were stored in the United States, and upon that either the Canadian government or private institutions in this country paid storage charges amounting to $200,000 per month. By a simple amendment it would be possible to conserve $2,400,000 annually of Canadian currency and at the same time give to the western agriculturist a few additional cents a bushel, depending upon the length of time that he had his wheat in storage in his granary, and no extra cost would be involved to the Canadian people.

When wheat was at its lowest price level in many generations, during the Bennett regime Mr. John I. McFarland was put in charge of wheat operations and the financial resources of Canada were placed at his disposal to handle the country's wheat business. At one time he held over 200,000,000 bushels of wheat. When his operations were wound up, it resulted in a greater price per bushel for the farmer than he is receiving to-day, and at the same time it returned to the treasury of Canada a profit of some millions of dollars. Everyone in Canada to-day, with the exception of the farmer, is guaranteed his costs of production for war purposes. The manner in which our wheat operations were conducted under the Bennett regime and under the government of to-day shows clearly the results from the different methods followed five years ago and to-day.

The Winnipeg *Free Press*, which has always been very loyal to vested interests, is greatly concerned to-day over the future of the Winnipeg grain exchange, much more so than over the welfare of the hundreds of thousands of western farmers who are living under the difficult conditions pointed out by the hon. member for Rosthern to-night. Nevertheless

the Winnipeg *Free Press* in an editorial in early July admitted that the approximate parity price for wheat at this time would be $1.25 a bushel, basis No. 1 northern at Fort. William. That figure would net the Manitoba farmer at his local elevator exactly twice what he receives at his local elevator to-day. I am satisfied that our farmers in the circumstances prevailing to-day should receive that parity price, even though it be a quota basis.

I maintain that the minister, backed by the government, should exempt farm machinery from this new tax. I also think an amendment should be brought down to provide that the farmer be allowed one cent a bushel storage per month on his wheat while holding it in his own granary. These are two measures which would assist the farmer greatly in his present plight.

It is two months to-day since parliament assembled. Many questions have been asked of the government by various members of the different groups on this side of the house as to its wheat policy and its policy with respect to other matters pertaining to agriculture, but invariably the answer has been that these matters are under consideration. It is now less than two weeks before harvesting will commence in many sections of western Canada, but owing to the fact that a policy for handling wheat has not been enunciated by the government many of our farmers cannot make the necessary financial arrangements to carry on their harvesting operations. This is a serious matter which should receive the immediate attention of the government.

I shall not take up further time, except to appeal once more to the minister and the government to exempt farm machinery from this taxation for the benefit of western agriculture. Some people might think it does not matter much, but I can assure the minister that every little bit of assistance will be of great help to our agriculturists in their present trying circumstances. I am sure that in the not too distant future there will be a great market for our wheat which at the present time seems a burden on our hands. But in the meantime action should be taken by the government in the interests of humanity, and at a not too distant date.

Mr. FAIR: It is not my intention to take up much time this evening because I have listened to several fine addresses in this house since I came here in 1936 and I have heard another able address to-night by the hon. member for Rosthern (Mr. Tucker). But I sometimes feel that until we get some of the dead-wood cleared out of this house we shall never get any results, no matter how able the addresses may be. I wish the people of Canada could witness our deliberations, hear some of the speeches that are made here and find out what is at the back of some of the arguments presented; then I am sure that a vigorous house-cleaning would take place in a very short time.

I was going to start out with a little text. It is not perhaps just as it should be, but for my purpose it is quite all right. I am tempted to use a text because I am in the company of three ministers of the gospel sitting in this corner. The text in my own words is this: To him that hath shall be given, and from him that hath not shall be taken away even that which he hath. As far as I can see, that is exactly the policy which has been carried out with respect to the farming industry in Canada during the past number of years. I have not been in this country as long as some other hon. members, but I have been here for twenty-six years and during that time I have gone through enough trials and tribulations common to farmers and workers to know exactly what I am talking about. I started out without anything, and I have lived to pay thousands and thousands of dollars of interest. I have seen where I have been fleeced time after time when selling goods in order to pay my notes at the bank. After all our hard work all we farmers get is a miserable living while some of those who are handling our products are getting a very fine, fat living.

The Liberal party for a number of years has boasted of being the farmer's friend. A few years ago we had one of the farmer members of the house claim that the farmers were entirely too extravagant. But before any of the luxuries of life are enjoyed by those who are handling the products of the farm, the farmer himself should have these luxuries. The member of the Liberal party of whom I spoke a moment ago said that when he wanted to have a bath he had to have it in a wash-basin. I was ashamed to think that any farmer should come down to such a state, if there was any possibility at all of having a bathtub in his home and running water to fill it. I could go into quite a number of these matters, but I do not think it is necessary. As I have said before, until some change is made here, no results can be expected. The change must come from the outside, not from the inside.

Speaking on May 20, on the address in reply to the speech from the throne, the Prime Minister, in one of his eloquent moments, had this to say:

I know that the government can rely upon the support of all sides of this house as long as it does all that is humanly possible to carry

out its duty to the people of Canada. To assist us we shall need and, I believe, we shall receive the unwavering resolution and the full cooperation of every true man and woman in this country.

I wish the Prime Minister were in his seat at this time. I would tell him that if the people's support depended upon their receiving the good things which he promised then to the Canadian people, he would not have their cooperation very long. Look around; examine the conditions among various classes; take the conditions in industry if you wish; note the deals which are being handed out even in war time; find out how much blood-money is being distributed, how much of the taxes drawn from the poor are being used to pay exorbitant salaries as well as what I consider are exorbitant prices in connection with a number of contracts which are being let. Then, on the other side of the picture, look at the position of the farmers and the workers of this country and find out what kind of deal is being handed out to them.

The hon. member for Rosthern quoted figures compiled by a commission which cost this country more than half a million dollars. I would invite hon. members to look into the accounts which have been paid in connection with that commission. They might find out whether the government has any respect for the findings of that commission. The farming industry has been, is being, and, I believe, will continue to be abused until some change is made within this house. As has been pointed out, farming is the industry which produces the quickest cash crop. Mining has been referred to, but it takes a considerable time to get results from some mines. In farming you can plant a crop in the spring and within four or five months you have a cash crop on the market. Farming is an essential industry because, regardless of anything else that happens, the people of this and every other country must eat. Just as soon as they are weaned from their habit of eating, they are weaned from everything else; they are then no good to anybody except the undertaker.

I might go into a great deal of detail, but as I have said, I do not think it is worth wasting time here. Over and over again addresses have been delivered pointing out the injustices to which the farming industry is subjected. I notice a report in the Ottawa *Citizen* of July 13, headed "Brockville, July 11," which states:

A survey of the bacon hog situation in Leeds county carried out by J. R. Ostler, district agricultural representative, reveals that various farmers are keeping and raising hogs at this time for no other reason than patriotism since the returns at the existing price level are held to be inadequate. More than ninety per cent—

I would ask hon. members from Ontario to take notice of this statement by their own farmers.

More than ninety per cent of the largest hog raisers in the county replied to questionnaires that there would be a reduction of from 25 to 40 per cent in hog production within the next twelve months. About 98 per cent of the farmers declared that the price of pork is too low in comparison with the price of mill feeds and in various sections, with prospects of a reduced yield of grain due to unfavourable weather conditions, there is no alternative but to reduce the number of hogs kept. The information gained by the survey will be placed before the bacon board at Ottawa.

I hope that the bacon board will not place this "under consideration" and leave it there, as the government has done for the past number of months in connection with our wheat marketing policy.

I come now to the price of machinery. In 1935, under a Conservative administration, the duty on farm implements was twenty-five per cent. I remember very well buying at that time an 8-foot binder at my shipping point for $272.50 cash. Because the Liberal party is a low tariff party, the new government brought in legislation in 1936 reducing the tariff from twenty-five per cent to 7½ per cent. But anybody who had to buy a binder in 1936 paid $292.50. In 1936 and 1937 an investigation was made into the farm implement industry, and the report showed definitely that prices of farm implements were too high. I remember the Minister of Agriculture stating on behalf of the government that unless the implement companies did something about reducing their prices the government would do something drastic. But the "something drastic" was done by the machine companies, and the government continued to have the matter under consideration. From that time on, several increases occurred in the prices of farm implements. At the present time, or at least in the fall of 1939, a binder which could be bought in 1935, with a twenty-five per cent tariff, for $272.50, cost us $335, with a 7½ per cent tariff. I do not know how that may be justified. We have been told on different occasions that figures lie and liars figure. Perhaps the companies method of computing costs would be a good place to apply that saying.

Under this budget, an additional ten per cent is proposed. As a farmer who has gone right through the mill, I protest with all the power I have at my command. I do not think it is necessary for me to go into detail as the hon. member for Rosthern has done.

The government has the report of the Sirois commission and can get facts and figures from that document. It cost them enough; surely they should get a little benefit from it.

From our experience in past years we are convinced that if this trend is allowed to continue we shall pay even higher prices for farm implements. There might be some justification for increases in certain lines if we were getting the cost of production for what we have to sell, but time after time in this chamber during the past five years figures have been produced which prove to my mind that we are producing at very little better than half the cost of production. Placing a further burden of ten per cent on importations from the United States is like killing the goose that lays the golden egg. If we are compelled to pay this additional price for the goods we have to buy in order to continue producing, something else must go unpurchased or certain bills will go unpaid. It is utterly impossible, mathematically or practically, to continue to produce and pay a higher price for the articles we have to buy.

It might be a good idea for the government to keep out some of that United States pork which is being brought in and which at times has been described, I believe, as slimy pork. I understand that a good deal of that is fed to our soldiers, and in some instances rejected, and good Canadian bacon is supplied instead. In spite of the fact that farmers round Brockville have stated that they are producing far below cost of production, the government continues to bring in pork from the United States.

Again, take coal. In Nova Scotia and in my own province of Alberta there are millions of tons of coal that could be used satisfactorily all across Canada. During the winter there are thousands of miners out of work and on relief, and at the same time we have several train crews and trains that might be better employed hauling coal from Nova Scotia and Alberta to different parts of Canada even if it were necessary to pay a subsidy for transportation. But apparently, because of certain interests who are better friends of the government than some of the rest of us, these conditions exist, and we who are already ground into the dust are asked to continue paying the shot while the other fellow fattens at our expense.

One of the Toronto members, the hon. member for Broadview, told us to-night about the central provinces paying 80 per cent of the taxes in Canada. On other occasions I have asked where these taxes come from. I might tell the hon. gentleman that if these and other proposals are carried out as the government intend, apparently, the central provinces will not need to pay quite so much in taxes as they have been paying. He is well aware that income tax is contributed by all other parts of Canada, but possibly it is all right to remind him that the taxes are simply paid by the people in the central provinces and collected from the rest of Canada. It is possibly fair also to point out that very nice profits are collected by the people who pay the taxes before they contribute anything to the treasury of Canada.

There is not much more I need say. The case has been put before the house very clearly. It is all right to say that everyone should be patriotic, but patriotism has its own place, and I do not think that one section of Canada should be allowed to profit while the other fellow is compelled to produce at half the cost of production.

Mr. McNIVEN: It requires no assurance from me to convince hon. members that those of us who are interested in agriculture, in making representations to the minister at this time for certain exemptions in the resolution now before the committee are not doing so from any desire to escape any responsibility incidental to the conduct of the war, or to escape a fair share of the cost of the war. It is the greatest regret of those of us who reside in western Canada that it has not been possible thus far to use the natural resources of the prairie provinces to as great an extent as we believe possible in making a contribution to the carrying on of the war. During the last war conditions were much different, much better in the prairies, and they did make a real and substantial contribution to the successful prosecution of the war. Thus far, however, with their limited means they have supported the war effort to the utmost of their ability.

I should like to associate myself with those who have previously spoken, particularly the hon. member for Rosthern, in the description of the depressed condition in which agriculture finds itself. From personal experience and personal knowledge I can corroborate everything that has been said so far as western agriculture is concerned, and from my conversation with eastern members I am convinced that agriculture in the eastern provinces is in a similar condition. Agriculture, the great basic industry of Canada, is in a depressed condition; and it is basic because it supplies the food for the sinews, the brawn and the brain which supports every other industry in the country. I was cheered to hear the Minister of Finance state that this resolution was introduced solely for the purpose of conserving foreign exchange and that it did not introduce the protective principle. In a carefully prepared,

closely reasoned and well delivered address the hon. member for Lake Centre endeavoured to apply to this resolution both the principle of the conservation of exchange and the protective principle, and in so doing he used the following language, as reported at page 1615 of *Hansard:*

> The fact is that fruits and vegetables are being imported in ever-increasing quantities to the detriment of the Canadian producer. The hon. member for Peel, representing a constituency in which these industries are very important, has drawn the attention of this and other parliaments to this matter without success. Yet what do we find? To-day huge supplies of foreign fruits and vegetables are piling into Canada, depriving the Canadian producer of a portion of his home market.

He went on to illustrate that by referring to importations between June 27 and July 3 at the port of Montreal of fruits and vegetables, in order to establish that the tax imposed would not answer the purpose indicated by the minister, namely, the conservation of exchange. I suggest to the hon. gentleman that he was unfortunate in choosing the dates June 27 to July 3; for it will be remembered that the budget was introduced on June 25 and the cars of fruits that were ordered from Florida, California and other fruit growing states in the United States must necessarily have been ordered long before June 25 and would necessarily have started rolling to their destination. Therefore the illustration he used to establish his point, that a 10 per cent increase would not conserve the exchange, was not a good one. He requested the minister to substitute for that ten per cent increase a fixed rate that would control the situation. From that set of facts the hon. member drew the conclusion, "protect the Canadian farmer, the producer of fruits and vegetables."

In that he appealed to the hon. member for Peel for support, and cited speeches and arguments used by that hon. member in this house on previous occasions. I always listen with interest to the hon. member for Peel; I admit that I have come under the influence of his genial nature and winning smile. But when we refer to some of these speeches and find out the kind of protection the hon. member asks for his fruit and vegetable industry, then we have to come to another conclusion. Referring to a speech delivered by the hon. gentleman in 1939 as reported on page 1230 of *Hansard* I find that he advocates a return to the schedules which were in effect prior to the coming into power of this government. For example, he refers to carrots costing $1.25 a crate which were subject to a dumping duty of $2.73; to beans costing $1 a crate subject to a dumping duty of $1.43, to celery costing $1.25, with a dumping duty of $2.13. Coming to fruits we find cherries invoiced at seventy-five cents a case subject to a dumping duty of eighty-one cents; strawberries invoiced at $2, subject to a dumping duty of $1.65.

Happily since this government came into power these exorbitant rates of duty were substantially reduced under the first trade agreement entered into with the United States. They were again reduced under the May day budget of 1936, and again by agreement entered into with the United States on January 1, 1939. May I say to the hon. member for Lake Centre that in the matter of duties on vegetables and fruits the hon. member for Peel is not a safe guide or mentor to those of us who come from western Canada. In some matters we may find his logic appealing, but in this regard it is not as sound or as mellow or as appetizing to those of us who live in western Canada as the fruit and vegetables produced in his constituency.

I have pointed out on other occasions that by customs regulations on fruits and vegetables this country has been zoned; there is the maritime zone, the eastern zone and the western zone. I have no quarrel with the hon. member for Peel when he advocates high duties, or any duties, as far as the eastern zone is concerned, provided that in so doing he has the support of the consumers of that zone. But when it comes to advocating the application of similar duties to the western zone, then he must be prepared to meet the definite protests of two and a half million consumers.

The hon. member went on to make some recommendations and from his alleged facts drew certain conclusions. He advocated, and likewise did the hon. member for Souris, that this government should introduce legislation authorizing the payment of one cent a bushel for storage of wheat on the farm. As I understand it, that principle has already been introduced and is in effect in the price level that was announced here some two or three weeks ago, in which there was a graded price level for the delivery of grain over certain periods of time.

I am in accord with the requests of hon. members who have already spoken for a modification of the application of this resolution to farm implements. There may be some justification for this tax being applicable to certain implements, for the binder, the mower, the rake, the seeder, the plow and a number of other implements are made in Canada, and are readily available to the Canadian agriculturist. If, in the opinion of the government's advisers, it is essential to impose this tax for the purpose of conserving foreign exchange, I am prepared to

support that, in view of the amendment introduced empowering the war-time prices and trade board to examine closely any increase in prices and maintain the price level. It has been said that eternal vigilance is the price of liberty. This board will have to exercise eternal vigilance if they are to succeed in maintaining prices at their present levels and in preventing the manufacturers from taking advantage of this tax. But if to conserve foreign exchange there is any justification for this tax on certain lines of farm implements, there can be no justification at all so far as farm tractors are concerned.

May I review for a moment the history of tariff legislation with regard to farm tractors. I find that in 1906 or 1907 the protective principle was applied and farm tractors made dutiable at a rate of twenty per cent. That rate continued until 1918. On February 7, 1918, under the War Measures Act, the government of that day made farm tractors under $1,400 in value duty free for a period of one year. On February 7, 1919, that order in council was renewed. In 1922 that provision was incorporated into our tariff system, and until 1936 tractors under $1,400 in value have continued duty free. On January 1, 1936, under the Canada-United States trade agreement all tractors, irrespective of value, coming from the United States entered Canada duty free. And under the budget introduced by the Hon. Mr. Dunning on May 1, 1936, all tractors, irrespective of country of origin entered Canada duty free, and have continued to do so since that time.

The importation of tractor parts has been duty free since May 1, 1930; but after the sales tax was introduced, notwithstanding the fact that tractors were exempt from that tax, tractor parts continued to pay the sales tax until May, 1938 when, as a result of representations made by Liberal members from western Canada to the present Minister of Finance, who was then Minister of National Revenue, tractor parts were exempted from the sales tax. What a paradox this situation reveals! In 1918, when wheat was $2.20 a bushel, in order to encourage still greater production and to reduce the cost thereof the government of the day placed tractors on the free list. To-day, with agriculture in a depressed condition and the price of wheat well below the average cost of production, we have an additional tax imposed upon this very necessary implement.

The tractor has become a general utility implement, serving many purposes. It is used for seeding, for ploughing, for cutting and harvesting the grain; it is used for a score of operations round the farm. The many farmers in the house will agree that no implement on the farm to-day serves more general purposes than does the tractor. At various times much has been said in this house as to the effect that various reductions in duty would have upon the farm implement industry. Figures in regard to the importation of all farm implements are as follows:

1935	$ 3,716,319
1936	6,182,218
1937	10,803,750
1938	19,245,768
1939	18,079,731

In connection with tractors alone the figures are as follows:

Year	Number	Value
1935	788	$ 562,652
1936	2,660	2,127,255
1937	6,204	5,549,399
1938	14,947	12,441,955
1939	12,408	9,643,421

If those two schedules are examined, it will be seen that tractors accounted for approximately fifty per cent, and in some years slightly more, of the value of the entire importation of agricultural implements; and this, sir, is the importation of an implement listed in the customs tariff as of a class or kind not made in Canada. If agriculture is to continue to produce—and I say that at this time more than any other agriculture must continue to produce—then these tractors, which have become general utility implements in farm production throughout Canada, must be used, and they must be obtained in the United States. If I am correct in that conclusion; if these tractors will be obtained in future, then Canadian exchange must be sent to the United States to pay for them. That, it seems to me, is an irrefutable argument as to why tractors at least should be exempt from this tax.

It will be said that one of the results of the imposition of this tax, and the consequent increase in price, will be that the farmer will not buy new tractors. I think the minister understands that the farm is different from the factory. The land is the farmer's factory, and he must prepare that land at certain seasons each year in order to obtain production that year. He cannot wait beyond those seasons; and if he neglects to prepare in that year, his factory does not remain stationary but goes back. It is altogether different from the industrial establishment in which, if there is no demand for the product, the overhead may be lessened by closing the factory. The overhead of the farmer continues just the same. It may be said that there should be a reduction in acreage, that there should be a lessened production of food stuffs because we have on hand such immense stores of food.

I know the minister will not listen to any such argument, because every pound of food we have now, and every pound we can produce during the years of this war will, some time in the immediate future, be in urgent and immediate demand. If my reading of conditions in Europe is correct, that food is going to be in demand on humanitarian grounds much sooner than we think, if we are going to save millions of people in Europe from starvation.

If the suggestion prevails that the farmers will not buy new tractors, then necessarily they must buy the parts for their tractors in order to keep them in good running order. The importation of tractor parts has been as follows:

1935	$1,176,209
1936	1,593,421
1937	2,114,383
1938	2,857,219
1939	3,140,798

Again it will be noticed that the importation of tractor parts amounts to practically twenty-five per cent of the value of the new tractors imported. The tractors are made in the United States; necessarily the interchangeable parts are also made in the United States. For that reason foreign exchange will have to flow into the United States for the purchase of these tractor parts. Therefore I say to the minister that if his object in bringing in this amendment is to conserve foreign exchange, I do not think that result will follow in so far as tractors and tractor parts are concerned. I have taken more time than I anticipated taking, but I do urge upon the minister, upon other members of the government and upon the advisers of the minister that before the bill is brought down, serious consideration should be given to exempting at least tractors and tractor parts from the operation of this resolution.

Mr. STIRLING: The leader of the opposition requested me to inquire when the minister proposes to introduce the bills which will be based upon the resolutions already passed. Is it the intention to wait until all the resolutions have been passed and bring down the bills together?

Mr. ILSLEY: The other day the leader of the opposition requested that I should introduce bills just as quickly as the resolutions were approved. I should like to do that; the only factor is that we have been making minor changes in drafting the bills and I am not sure that any are ready as yet. I shall try to introduce one or two of the bills to-morrow.

Mr. HARRIS (Danforth): What will they be?

[Mr. McNiven.]

Mr. ILSLEY: The income war tax amending bill and the bill amending the Excess Profits Tax Act.

Mr. STIRLING: The resolution covering the Special War Revenue Act is not completed?

Mr. ILSLEY: No.

Mr. PERLEY: Perhaps we could call it eleven o'clock.

Resolution stands.

Progress reported.

On motion of Mr. Crerar the house adjourned at 10.58 p.m.

Wednesday, July 17, 1940

The house met at three o'clock.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

PRAIRIE FARM REHABILITATION ACT

Mr. DIEFENBAKER:

1. To what extent, if any, were moneys voted for Prairie Farm Rehabilitation Act purposes by parliament, during the 1939 session over-expended during the year 1939?

2. Were any contracts for dug-outs and small dams let on the basis of payment therefor being deferred until the present session of parliament?

3. Were any funds taken from the parliamentary vote for Prairie Farm Assistance Act and used for Prairie Farm Rehabilitation Act purposes?

4. If so, what authority was there so to do?

Mr. GARDINER:

1 and 2. Projects completed and approved for payment in 1939-40, some of which were previously authorized, exceeded the amount voted for 1939-40 as follows: Large projects, $58,381; dug-outs and small dams, $508,840.99. Total, $567,221.99.

In the case of dug-outs and small dams the authorizations for construction state that the financial assistance is to be subject to funds being available, or being made available, for this purpose when the project has been completed.

3. No.

4. Answered by No. 3.

GEORGES GONTHIER

Mr. McGREGOR:

1. What was the date of Georges Gonthier's appointment as auditor general?

2. At what salary was he appointed?
3. What was the salary of his predecessor?
4. What was the date of Mr. Gonthier's retirement?
5. What is the amount of his retiring allowance under the Superannuation Act?
6. What is the total amount of his contributions under the Superannuation Act?
7. Prior to Mr. Gonthier's appointment as auditor general, did he make application to the civil service commission in connection with a position in the customs or excise services?
8. If so, what was the date of the aforesaid application?
9. What was the title of the position for which he applied, and the salary range?
10. Was he successful in the competition for such position?
11. Have any other retired employees, under the Superannuation Act, been voted additional amounts?
12. If so, what are the names of such persons; what were their former positions, and what were the reasons for such additional votes?

Mr. CASGRAIN:

1. January 18, 1924.
2. $15,000.
3. $6,000.
4. November 21, 1939.
5. $4,750.
6. $11,786.50.
7. The records of the civil service commission do not indicate that any application had been received from Mr. Gonthier.
8, 9 and 10. Answered by No. 7.
11. No.
12. Answered by No. 11.

MUNITIONS AND SUPPLY—ROLLLING STOCK CONTRACTS

Mr. DIEFENBAKER:

1. Was any rolling stock consisting of locomotives, flatcars, boxcars, etc., purchased or contracted for by the defence purchasing board since January 1, 1939?
2. If so, what are the particulars?
3. Has delivery been made, or is delivery to be made to the Canadian Pacific Railway of any portion of such rolling stock, and is the same to be paid for by the said company?
4. If so, what are the terms of sale?

Mr. HOWE:

1. Yes; see published record of contracts awarded, July 14, 1939, to March 31, 1940, pages 27 and 148.
2. Answered by No. 1.
3. (a) Delivery is to be made to the C.P.R.
(b) Yes.
4. As per terms of P.C. No. 4054, No. 3105 and No. 3299, shown on published record of contracts awarded, July 14, 1939, to March 31, 1940, pages 27 and 148.

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CANADIAN MALE POPULATION—AGE CATEGORIES

Mr. ROY:

1. What is the male population of Canada between the ages of 18 and 30, and between the ages of 30 and 60, according to the latest dominion statistical reports?
2. What is the French Canadian male population in these two categories?

Mr. MacKINNON (Edmonton West):

1. Ages between 18 and 29, inclusive: 1,080,299 (census 1931). Ages between 30 and 59, inclusive: 1,862,984 (census 1931).
2. Ages between 18 and 29, inclusive: 301,987 (census 1931). Ages between 30 and 59, inclusive: 413,635 (census 1931).

WAR HISTORIAN

Mr. ROY:

1. Has the government appointed any person to write the history of our participation in the present war, and, if so, who was appointed?
2. Will the said appointee be assisted in his work by any others? If so, who are the assistants?
3. Will such history be published in the two official languages of the country, and have instructions been issued to that effect?
4. If so, what instructions were given, and to whom?
5. Is any of the staff charged with this work bilingual?

Mr. MACKENZIE KING:

1. No.
2, 3, 4 and 5. See answer to No. 1.

QUESTIONS PASSED AS ORDERS FOR RETURNS

NORTHERN SASKATCHEWAN FLYING TRAINING SCHOOL LIMITED

Mr. DIEFENBAKER:

1. Has the Northern Saskatchewan Flying Training School Limited, of Prince Albert, Saskatchewan, been given a contract by the government in connection with air training?
2. If so, what are the terms respecting remuneration or payment to the said company?
3. Who are the directors of the said company?

Mr. POWER: Return tabled.

UNEMPLOYMENT RELIEF AND AGRICULTURAL DISTRESS—STATISTICS

Mr. ROY:

1. How much money did the dominion government pay to each of the various provinces for unemployment relief and agricultural distress in 1935, 1936, 1937, 1938, 1939, and 1940?
2. How many unemployed were granted relief in each province in 1935, 1936, 1937, 1938, 1939, and 1940?

Mr. McLARTY: Return tabled.

MOTIONS FOR PAPERS

S. T. SHABBITS

Mr. NICHOLSON:

For a copy of all letters, telegrams and other documents in the possession of the department, regarding the request for leave of absence, resignation and reappointment of S. T. Shabbits, of Canora, Saskatchewan, during the year 1940.

UNEMPLOYMENT RELIEF—QUEBEC PROVINCE

Mr. ROY:

For a copy of all correspondence, letters, telegrams, memoranda and other documents exchanged from January 1, 1939, to date, between the dominion government and the provincial government of Quebec with respect to unemployment relief, the sharing of the cost and the amount contributed to the province by the federal treasury.

NATIONAL REGISTRATION

CONSCIENTIOUS OBJECTORS OFFERING SERVICES OTHER THAN BEARING OF ARMS

On the orders of the day:

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, I wish to ask a question of the Minister of National War Services (Mr. Gardiner). My attention has been drawn to the proposed questions to be asked during national registration next month. No provision has been made for a person desiring to declare himself as having conscientious objections to the bearing of arms, but who is prepared to offer himself for some other important service in our war effort. Will the minister consider including such a question?

Hon. J. G. GARDINER (Minister of National War Services): Mr. Speaker, this is a registration to find what the people of Canada can do. That is its objective, and it was not thought advisable to have on the questionnaire any question suggesting action with respect to exemptions from any service. When the results of the registration are being utilized for any purpose, consideration will be given to ways and means of meeting situations as they may arise.

TRANS-CANADA AIR LINES

TRANSFER OF ADMINISTRATIVE SERVICES TO DEPARTMENT OF MUNITIONS AND SUPPLY

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): Yesterday the Prime Minister (Mr. Mackenzie King) tabled order in council P.C. 3076 dated July 8, 1940. Having regard to the provisions of this order with respect to the administration of civil aviation, meteorological and radio services, broadcasting, and Trans-Canada Air Lines having been taken away from the Department of Transport and vested in the Department of Munitions and Supply, will the Minister of Munitions and Supply (Mr. Howe) say that the administration of Trans-Canada Air Lines is to be divorced from the administration of the Canadian National Railways, and if not, how otherwise?

[Mr. Howe.]

[Mr. McLarty.]

Hon. C. D. HOWE (Minister of Munitions and Supply): Mr. Speaker, there is no disturbance of the departmental organization or of the organization of the Canadian National Railways. It so happens that the aviation branch of the Department of Transport has been made responsible for the construction of new airports in connection with the air training scheme, and inevitably is responsible for many services connected with the air training scheme, such as the weather service and the radio beam service. For that reason the Prime Minister (Mr. Mackenzie King) felt that in dividing the department it might be as well to place that part of the department in the war service group. The arrangement is that the Deputy Minister of Transport reports to myself on these particular matters without in any way interfering with his work as Deputy Minister of Transport reporting to the Minister of Public Works and Transport (Mr. Cardin).

PRIVILEGE

MR. HENDERSON—EDITORIAL REFERENCE IN OTTAWA CITIZEN TO CITIZENSHIP OF MEMBER FOR KINDERSLEY

On the orders of the day:

Mr. C. A. HENDERSON (Kindersley): Mr. Speaker, I rise to a question of privilege. I have in my hand a copy of the Ottawa *Citizen* of the 16th instant containing a long editorial entitled "When Canada Speaks," referring largely to Canada speaking to the United States of America. It contains a paragraph which, I think, reflects very seriously on persons in my constituency of Kindersley, Saskatchewan, quite a number of whom came from the United States of America. I too was born in the United States—a matter over which I had no control; I was not consulted. These constituents, according to this paragraph, have not been voting right. I agree with that contention so far as 1935 is concerned, but I think they voted all right this last time. Shall I read the paragraph? I will just read a very small portion, Mr. Speaker.

Mr. HANSON (York-Sunbury): The hon. member had better get down to the question of privilege.

Mr. HENDERSON: It states:

Canada has missed almost a year's opportunity to speak in the language of national action to inspire the United States. In the election period of wordy campaigning last March, the political parties were united in denying that Canada would introduce compulsory military service. A Liberal opponent of conscription, from the United States in the last war—of military age under the American draft law—successfully opposed a Canadian ex-soldier, the solitary candidate on the platform of national service. A C.C.F. pacifist also received more votes. The Canadian election performance conveyed no inspiring impression to Canada's neighbour.

Mr. SPEAKER: Order. The hon. gentleman has risen to a question of privilege. Is there something to which he wishes to direct attention?

Mr. HENDERSON: I am a Liberal and a Canadian citizen. Although naturalized, I was naturalized before the war. I was not at that time a United States subject or subject to the United States draft. I have always been a loyal Canadian citizen, as are most of those in my constituency who have come from the United States, and I do not appreciate the reflection in this editorial that I came to Canada to avoid the United States draft law.

MR. ADAMSON—PUBLISHING IN THE PRESS OF MATERIAL BANNED BY ORDER OF CENSORSHIP

On the orders of the day:

Mr. A. R. ADAMSON (York West): Mr. Speaker, on a question of privilege: on July 12 I directed a question to the Secretary of State (Mr. Casgrain), and I was answered by the Prime Minister (Mr. Mackenzie King), with regard to press censorship. The Prime Minister stated that he would give me an answer on Monday. It is now Wednesday. Is he able to say when an answer will be given?

Right Hon. W. L. MACKENZIE KING (Prime Minister): I apologize to my hon. friend for not having carried out the undertaking, and I may also say that I was short-sighted when I said I would give the answer on Monday. One should not be so specific.

The question was one which related to the Department of Justice, and the Minister of Justice (Mr. Lapointe) was not in his seat at the time. I knew that my colleague had the matter in hand and I expected that he would be in a position to have the answer, either given by himself personally or ready for me to give, but unfortunately the Minister of Justice has not been in the house since last week. I understand that the matter is receiving the attention of the Department of Justice, and as soon as I can get the answer from that department I will give it to my hon. friend.

Mr. ADAMSON: Thank you.

MR. FAIR—MEETING OF BANKING AND COMMERCE COMMITTEE CALLED FOR THIS DAY

On the orders of the day:

Mr. ROBERT FAIR (Battle River): Mr. Speaker, on a question of privilege: in the Votes and Proceedings of Tuesday, July 16, a meeting of the banking and commerce committee is scheduled at room 277 for 10.30 this morning. The hon. member for Bow River (Mr. Johnston) and I went to this meeting for the purpose of learning something, but to our disappointment it was only a Liberal caucus. We want to assure hon. members that we will not divulge any information obtained during our stay there—

Mr. REID: We were discussing refugees.

Mr. FAIR: —and would ask that Liberal caucuses be called as such in the future.

UNEMPLOYMENT INSURANCE

PROPOSAL TO REFER BILL AFTER SECOND READING TO SPECIAL COMMITTEE

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): Yesterday my hon. friend the leader of the opposition (Mr. Hanson) suggested with respect to the unemployment insurance bill that it might be advisable after the second reading to have the bill referred to a special committee of the house. I stated at the time that I would confer with members of the government and indicate later the view of my colleagues and myself. May I say that on considering the matter it has seemed to us that a useful purpose would be served by having the bill referred to a select committee of the house. It may prevent a lengthy discussion in committee of the whole, seeing that the bill itself is a long one and its provisions could be gone into carefully by a special committee. As there appears to be unanimity on the part of the house with respect to the principle of the measure, it might be understood that the bill will be brought up for second reading, say, to-morrow, and then referred to a special committee. If that course is agreeable to hon. members

it might also be understood that such lengthy discussion, if any, as is to take place on the measure might take place when the bill comes back from committee rather than on the second reading.

Hon. R. B. HANSON (Leader of the Opposition): I have no objection to the course indicated by the Prime Minister (Mr. Mackenzie King), but I should like to point out to him that so far I have just seen the outside of this bill. It reached my office after lunch to-day, and I understand has not been distributed, or, I am told by the minister, even printed—

Mr. McLARTY: Oh, yes.

Mr. HANSON (York-Sunbury): Well then, it has not been distributed. I should not like to see the bill pushed forward until hon. members have had at least a chance to read it. I know that it involves a great deal of study. So far as I am concerned I am pressed for all I am worth, and to give study to a bill of this kind requires time and deliberative attention. I hope there will be no rush to take any further steps until hon. members have had a chance to read the bill.

Mr. MACKENZIE KING: I am surprised to learn that the bill has not been distributed. I understand that it was printed some days ago. Certainly there is no desire on the part of the government to rush the measure in any way; we merely wish to meet the convenience of hon. members by avoiding unnecessary delay so far as the session is concerned.

I hope that there will be a chance for my hon. friends to read the bill between now and to-morrow, and that we may give the bill second reading to-morrow. If, however, when to-morrow comes my hon. friend should feel that he has not had an opportunity to peruse the bill sufficiently, we will arrange to have the second reading on Friday.

Mr. HANSON (York-Sunbury): Very good.

Mr. MACKENZIE KING: The sooner the bill gets to the special committee, if it is to go to one, the sooner it will be disposed of in the end.

Hon. N. A. McLARTY (Minister of Labour): May I just explain that it was understood that the bill was to be distributed this morning. Through some unfortunate occurrence copies were not available; but they will be available very shortly and will be distributed immediately to all hon. members.

Mr. CHURCH: That means that for this session it has been dropped by the government like a hot potato.

[Mr. Mackenzie King.]

WAYS AND MEANS

SPECIAL WAR REVENUE ACT

The house in committee of ways and means, Mr. Vien in the chair.

The CHAIRMAN: Resolution 5, with proposed new paragraph 3:

5. That the said act be amended by adding thereto after section eighty-eight the following section:

"88A. (1) In addition to any duty or tax that may be payable under this act, or any other statute, there shall be imposed, levied and collected a war exchange tax of ten per cent on the value for duty of all goods imported into Canada, payable by the importer or transferee who takes the goods out of bond for consumption at the time when the goods are imported or taken out of warehouse for consumption.

(2) The tax imposed by this section shall not apply to any goods imported into Canada,—

(a) which are entitled to entry under the British preferential tariff, or under trade agreements between Canada and other British countries;

(b) which are entitled to entry under customs tariff items 360, 460, 690, 690a, 696a, 700, 700a, 701, 702, 703a, 704, 705, 705a, 706, 707, 708, 709; or to fish caught by fishermen in vessels registered in Canada or owned by any person domiciled in Canada and the products thereof carried from the fisheries in such vessels.

(3) No person shall take advantage of the tax imposed by this section to increase the price of goods by an amount greater than is justified by any increase in cost properly arising from such tax or to maintain prices at levels higher than are so justified and, where the war-time prices and trade board reports to the governor in council that, in its opinion any person has so taken advantage, the governor in council may, upon the recommendation of the said board, for such period of time as he may determine, impose upon all or any of the goods produced, sold or dealt in by such person an excise tax at a rate not to exceed ten per cent of the selling price of such goods, remove or reduce customs duties applicable thereto, fix the prices thereof and take or authorize the said board to take such other measures under the war-time prices and trade board regulations as the said board may recommend; and, for the purpose of investigation and any recommendation by the said board and for the purpose of preventing any aforesaid advantage from being taken by any person, the said board shall have in respect of any aforesaid person and goods the powers conferred on it from time to time by the said regulations as if such goods were necessaries of life as therein defined, and the taking of any such advantage shall be deemed to be an offence against this act and the said regulations, and the penalties prescribed in said regulations shall extend and apply thereto."

Mr. PERLEY: Yesterday afternoon and evening many western members protested against this ten per cent war exchange tax, pointing out its implications. I agree with them. This tax means an increase in the price of many articles used by farmers in their work either directly or indirectly. Gaso-

line, repair parts, implements and other items were mentioned yesterday. Agriculture has suffered in recent years to a greater extent, I believe, than any other industry. The depression has affected us in western Canada more than it has the people in any other part of the country. In various discussions that have taken place in the house since the opening of the session on May 16, the western producer's situation has been fully placed before the house. The western farmer to-day is producing and selling his products below cost. I would ask what other industry in Canada is allowed to carry on under such conditions without something being done to remedy the situation. Industry generally, particularly in eastern Canada, is producing under a guarantee of costs, with a plus in some instances. I join in the protest made by the hon. member for Lake Centre (Mr. Diefenbaker), the hon. member for Rosthern (Mr. Tucker) and other western members who have spoken against this tax. They made a very strong case for an exemption of implements of production from the levy. Certain other imports might also be exempted.

The hon. member for Lake Centre discussed at some length the importations of fruits and vegetables, pork and other commodities. I am not going to burden the house with figures; a multiplicity of figures was given yesterday. I am not a calamity howler but I do submit that the circumstances of the western farmer should be emphasized. I am not going to do any calamity howling on behalf of the western farmer, however. The farmers of the west are ready to play their part to win this war and at any time they will discharge their duty patriotically, even if it hurts. At the same time, I suggest that this additional burden should not be imposed on the western producer at this time. Reference has been made to the surplus of wheat, and this may be a blessing in disguise in the long run. Two years hence it may prove to have been providential that we had a surplus.

As I say, the farmer is patriotic but he wants a fair chance. He wants a parity of prices. We have seen the prices of the products of industry rise to a point out of all proportion to the prices of the products the farmer has to sell. I might mention implements, for instance. I will not give any figures at this time with regard to prices, but yesterday the hon. member for Souris put on the record prices and other figures to show the developments in connection with implements since 1932. Under the Bennett government when there was an increase in the tariff generally, and on implements in particular, we voted for it on the distinct understanding that there had been an agreement that there would be no increase in price, and the member for Souris last night gave figures with regard to some of the principal implements of production, nine or ten, showing that from 1930 to 1935 there had been a decrease in prices. I admit it was not as much as we should like to have seen but it was in the right direction. In 1936, following the change of government, there was a lowering of the tariff from 25 per cent to 12½ per cent, and a further decrease in 1937-38 under the agreement. What was the result? We experienced an increase in price.

This war exchange tax will result in a further increase. Not only was there an increase in the prices of implements during the period to which I have referred but there was a very substantial increase in importations and this resulted in some ways to the detriment of the farmer. The Minister of Agriculture went to Saskatchewan in 1938 during the election campaign and said that for two years at Ottawa he had been trying to do something to reduce implement prices for the farmers. He pleaded with the electors to return the Liberal government in that province and promised that he would do something when he came back here. He came back and what happened? I well recall the speech he made in 1938 when he warned the implement manufacturers and importers what might happen if there was not a reduction in prices. They paid little attention to what he said, and since then we have seen increases in the prices charged. We have also seen a substantial increase in the prices of repair parts. In my opinion this tax will work to the great disadvantage of the farmers in regard to repair parts. We may expect to see increases in that direction if the tax goes through.

What consideration, I would ask, has the producer, the farmer, received in this budget? How often has he been named in the budget? If the hon. member for Regina City (Mr. McNiven) last night had looked through it he would have seen that the farmer or producer had received very little consideration The hon. member, however, did stress the assistance assured the farmer by the price of wheat being fixed recently, a graduated price; he claimed that was of some benefit to the producer. Reference was made yesterday to the one-cent increase per month in the price after the beginning of the crop year. Speaking on the budget last year I suggested to the government that they should consider a proposal to add one cent a bushel per month to the fixed price in order to encourage the farmer to hold his wheat on the farm. I believe that will have to come. I also suggested last year—and it was referred to yesterday—that we should have a domestic price

for wheat and flour in Canada. I believe that will have to come. Last year I suggested $1.20. Under the conditions that have come about since then, that may be a little high, but it certainly should be something over a dollar.

The question of storage charges has been discussed. I am not going into that this afternoon; I do not think this is the proper place. I trust, however, that within the next week or ten days we shall have an opportunity to discuss in general these questions pertaining to the marketing of wheat. The Minister of Agriculture knows well that there is a serious situation in parts of Saskatchewan. I noticed in yesterday's *Leader-Post* that the forms for application for the bonus have been distributed in that province, and the dead-line date was July 15. I have on many occasions this session asked the minister to make a statement with respect to the Prairie Farm Assistance Act. We have been assured that it is under consideration and that some amendments will be made.

Mr. GARDINER: If the hon. member will permit me I should like to correct the statement just made. No such thing as a form goes out for application under the Prairie Farm Assistance Act. There is a letter that goes to all individuals in an area that may be affected, asking them to send in the acreage they may have, but it is not an application for bonus.

Mr. PERLEY: The *Leader-Post* said that Mr. Mackie who was in charge of administering that act appeared before the municipal convention and referred to it, saying that these forms had been distributed, and no doubt he assured that convention that the act would be carried out this year in some form or another.

Mr. GARDINER: If the report says that an application form for assistance under the act was sent out, it is not correct. That is not what they are.

Mr. PERLEY: The report said that some three hundred thousand had been distributed.

Mr. GARDINER: That would be about the number, but they are not application forms.

Mr. PERLEY: The fact that Mr. Mackie had made the statement before the convention indicates that the farmers in some parts of the west are at a point where they will more or less have to depend on the bonus. All I wish to say is that we should have that legislation down very soon. If July 15 was the dead-line, any amendments to that act should have been introduced in this house a week before that.

I appeal to the minister to give consideration to the suggestions that have come, from this side of the house particularly, and the protests against this ten per cent war exchange tax as it applies to farm implements. In their present circumstances the farmers cannot carry that burden. I believe that sixty-eight per cent of the implements used in western Canada are imported or are the product of United States firms. The hon. member for Swift Current (Mr. Graham) will recall that when he was counsel before a committee of this house inquiring into the implement business, such figures were laid before the committee.

Mr. ILSLEY: Has the hon. gentleman the value of the implements imported into western Canada?

Mr. PERLEY: I have not the figure at hand, but I think it was quoted yesterday by the hon. member for Souris.

Mr. ROSS (Souris): It was $20,000,000.

Mr. PERLEY: I think the hon. member for Regina City also referred to it. I would stress this point, that over sixty-eight per cent of the farm implement business done in western Canada is done by United States firms, and that sixty-eight per cent of that Canadian business represents, I understand, only about four per cent of the total North American business of these United States firms. Therefore it is apparent that we are at their mercy. These goods will continue to be imported from the United States, and this tax will be a very heavy burden.

Speaking on the budget, I placed on *Hansard* a comparison of farm incomes, using 1926 as the base. It showed that, comparing 1939 with that year, there has been a decrease to forty-five per cent in farm income. What other industry in Canada has had such an experience? When we consider that position of western farmers we should give them every consideration possible.

I want to be consistent in my stand in this house. I have on former occasions, in 1930 and 1935, voted for an increase in the tariff. I did so when there was a guarantee that there would be no increase in prices of goods. I now appeal to the minister to give consideration to the suggestions that were made here yesterday, and the protests against this tax as it applies to farm implements. I therefore offer the following amendment to the amendment, moved by myself and seconded by the hon. member for Victoria-Carleton (Mr. Hatfield):

That resolution No. 5 be further amended by adding thereto the following:

"Provided always that such war exchange tax of ten per cent of value for duty of all goods

imported into Canada as proposed shall not apply to agricultural implements and parts thereof."

The CHAIRMAN: I think the amendment offered by the hon. gentleman is wrongly worded. We are considering resolution No. 5. The minister asked leave to amend that resolution by striking out subsection 3 thereof and substituting another subsection. That leave was granted. Therefore the resolution now before the committee is the amended resolution, and I suggest to the hon. member that instead of submitting an amendment to the amendment he should submit an amendment to the resolution as amended.

Mr. Perley moves, seconded by Mr. Hatfield:

That resolution No. 5 as amended be further amended by adding thereto the following:

"Provided always that such war exchange tax of ten per cent on the value for duty of all goods imported into Canada as proposed shall not apply to agricultural implements and parts thereof."

Perhaps I might make the correction.

Mr. PERLEY: Very well. I leave that for the consideration of the committee. I hope it will have the support of all hon. members.

Mr. GRAHAM: Mr. Chairman, ever since I listened to the former Minister of Finance introduce this budget I have been much concerned over this feature of it; and ever since then the western Liberals sitting on this side of the house have been giving a great deal of attention to this exchange tax of ten per cent imposed upon imports other than from empire countries. It is no secret, I think, that we made representations to the former Minister of Finance, and after the present minister took over the portfolio we had an opportunity to make the same representations to him. I am happy to recall that in making his budget speech the former minister made it quite clear that the government fully realized that this was a departure from the traditional policy advocated and to a certain extent implemented by Liberal governments that have held office in Canada in the past. He definitely stressed the point that the necessity for this measure arose because of the war situation and indicated that the government fully intended to repeal the tax just as soon as the necessity for it was removed. I am also happy to believe that the present Minister of Finance takes exactly the same view.

As I have said, this tax has been justified by the government on the ground that it is necessary in connection with our war effort. They suggest that it will produce some $65,000,000 in revenue. I do not propose to deal with that feature, because I do not believe the government would have introduced this tax at all if the primary purpose had been the raising of revenue. I have not asked them, but I think they would agree that there are many other ways of raising this amount of money without imposing such an unheard of tax in the manner in which it has been imposed. It is true that $65,000,000 is a considerable sum of money to us as individuals and to the Canadian people collectively; yet when it is recalled that the budget deals with some $1,250,000,000, I am sure the committee will agree that in comparison $65,000,000 seems small and therefore, from our point of view, could have been raised much more beneficially either by increased direct taxation or by being included in the amount to be raised by borrowing. Therefore I do not intend to emphasize the revenue producing purpose of this tax, because I do not believe the government, in asking the committee to adopt this resolution, had that in mind at all. Undoubtedly the primary reason for the introduction of this tax was the desire to conserve foreign exchange.

Mr. HANSON (York-Sunbury): And to raise revenue; the minister said so.

Mr. GRAHAM: For my purpose I am assuming that the primary purpose was to conserve foreign exchange. We all know that Canada is faced with a most unusual situation. Because of the necessities of our war effort we are compelled to make very large purchases of war equipment in the United States, and that is also the situation so far as the mother country is concerned. In addition, some avenues of trade between this country and the United Kingdom have been closed because of the exigencies of war. So, as I followed the argument advanced by the minister, the purpose of this tax is to conserve United States exchange and also to increase the British preference in the Canadian market. That is to say, we wish to place ourselves in the position of having United States funds with which to make necessary war purchases in that country, and in addition, we recognize the fact that because of her situation at the present time the mother country is entitled to an increased preference in the Canadian market as against non-empire countries.

With the essential of these objectives I do not think anyone in this committee would disagree. I believe, however, that the method of carrying them out, as exemplified by this tax, is not the correct and proper method to achieve these purposes, worthwhile, as they may be. Although I am very much opposed to the application of this tax I voted

for the budget, and perhaps it would be proper to place myself on record as to why I did so. If there is one thing in connection with our war effort that we need above everything else it is unity behind leadership. I am fully aware to-day, as I have been ever since war broke out, that if we intend to make our contribution to the war effort most effective, we must choose leaders of capacity and, when we have chosen them, give them that measure of confidence which will permit them to carry on the effort we expect of them with the greatest degree of efficiency and the least possible interference. I think everyone will agree that we cannot possibly hope to win this war on the street corner, in the coffee-shop or even in the lobby of this House of Commons. So it seems to me that in passing final judgment on any measure introduced in this house every member must ask himself how his attitude towards that measure in the long run will affect the general instrument we have created to carry on our war effort.

To-day my submission will be in the way of criticism of this tax, but I want it distinctly understood that this does not weaken in any way my personal belief as a Canadian, rather than as a Liberal member of this House of Commons, that the men in key positions in connection with our war effort are, in my opinion, completely satisfactory. I would not want them to be embarrassed or interfered with in carrying out the severe and almost overwhelming duties which have been imposed upon them as a result of our taking part in this war. In spite of that feeling on my part, however, I believe I should express my opinion if I consider that the government have been ill advised or have pursued a wrong policy, of course always bearing in mind that salutary statement by Cromwell, "I might be wrong". I therefore think it is proper for me to point out why, with regard to this particular exchange tax of 10 per cent, I believe the government has pursued the wrong way of achieving the objectives it wishes to achieve, that is to say the conservation of our foreign exchange and the giving of assistance to the motherland, in the position in which she finds herself to-day.

I have listened with keen interest and attention to observations from hon. members opposite, and I must say I have been surprised at some of the arguments advanced by them for and against this particular tax. I find myself, in principle of course, allied completely with the hon. member for Rosthern (Mr. Tucker), who so ably presented to hon. members the plight of agriculture. He presented it as it seemed to him, from the point of view of Saskatchewan. But I do not believe any western Liberal member with whom I have been acquainted has ever thought that any national policy in Canada can be advocated or supported from only a Saskatchewan point of view. I feel sure the hon. member for Rosthern had no such idea in mind when he made his observations.

We from the west realize fully that a national policy must be considered in the light of the manner in which it affects the whole of Canada, not any particular part of it. With respect to this particular tax I would point out that one might just as easily champion the cause of the farmers in Ontario, the farmers in the maritime provinces, the fishermen in any of the provinces in eastern Canada, or in British Columbia, and might champion just as easily the cause of the consumer in any one of the provinces of Canada as he could the cause of the farmer or the consumer in Saskatchewan. This is a national problem, and one must of course approach it from that viewpoint; otherwise his observations ought not be given any great consideration by the Minister of Finance. I join with the hon. member (Mr. Perley) who has just spoken and with other hon. members from western Canada who have expressed the belief that the western Canadian farmer is just as desirous of bearing a fair share of the war load as is any other citizen in Canada. The farmers of the west claim no monopoly on patriotism; but on the other hand they claim, as they have pointed out on many occasions, a position of reasonable equality in respect of the imposition of costs brought about by the war.

There are, of course, many circumstances in our Canadian confederation which make it almost impossible under any conditions to make equal the position of one individual as compared with that of another in any portion of Canada. But in my view it should be the aim of the government, so far as it is able, to divide the load as equally as possible among the different portions of the country which must bear it.

I listened with particular interest to the remarks of the hon. member for Lake Centre (Mr. Diefenbaker), who comes from my own province of Saskatchewan. Much as I admire and respect the hon. member, it occurred to me that he became confused when he attempted to reconcile his position in respect of this tax with his desire to support the protective idea, one which has been so long advocated by the Conservative party.

Mr. HOMUTH: No difficulty about that.

Mr. GRAHAM: I listened to the hon. member for Peel (Mr. Graydon) and much

earlier, of course, to the hon. member for Danforth (Mr. Harris). May I point out to him, when he suggests that one must go down to the museum to find a free trader, that despite the war emergency and the necessities of the government, there are on this side of the house many hon. members who continue to support the fine and practical theories connected with the policy of free trade.

I listened yesterday to the Minister of Labour (Mr. McLarty), who quoted with approval Sir William Beveridge, and I would point out that in connection with the matter now before the committee I could quote the same authority with, I believe, the same approval. I doubt very much if one could find an economist of high repute who would support any policy other than that of the greatest possible freedom in our international trade.

As a matter of fact, in our own lifetime we have had the good fortune to see tried out two different theories in respect of trade. In 1930 we had the so-called "Canada First" programme. The Right Hon. R. B. Bennett made it quite clear to the country that, if returned to power, he was going to make experiments in the matter of tariffs. Let us say this of the right hon. gentleman, that he left no doubt in our minds that if he were returned to power he would carry out that experiment. Mr. Bennett did that very thing; he imposed the highest tariffs, and in this regard made an all-time high. For five years we as Canadian citizens had an opportunity of watching in actual practice the application of the theory of high protection.

As the hon. member for Rosthern pointed out, while there may be individual Conservatives who still support the theory of protection, yet away down deep in their hearts they must realize that from the point of view of the citizens of Canada that experiment was a hopeless failure, and was condemned in the election of 1935.

Never in my lifetime have I seen such a definite mandate given to any government to lower tariffs as was given to the Liberal government when it was returned to office in 1935. So much so is that true that I doubt if even the most courageous member on the Conservative benches to-day would dream of rising in his place and supporting under the name of "Canada First" the policy advocated by the Conservative party from 1930 to 1935.

For a moment or two I should like to deal with one aspect of this question. When Mr. Bennett put the "Canada First" policy into force he was successful in accompanying it with a promise from large manufacturers of certain commodities to the effect that they would not use tariff increases unfairly to raise the level of prices in Canada. I have had some experience in this matter, and when I speak I am speaking from my own knowledge of facts ascertained in inquiries before the tariff board, before parliamentary committees of this house and in legislatures.

I refer particularly to gasoline, and more especially to the suggestion by Conservative members that the promise elicited from those companies was carried out during that high tariff period. Let me outline briefly the history of what happened in connection with gasoline. Mr. Bennett obtained from practically all the large oil companies in Canada a promise similar to that obtained from most of the farm implement companies. I recall that Mr. Fowler of Saskatchewan, who was interested in the Consumers Cooperative Refinery, wrote to Mr. Bennett calling to his attention the fact that in Mr. Fowler's opinion the companies were not keeping that promise. Mr. Bennett replied that he had made certain inquiries and as a result of those inquiries was forced to disagree with Mr. Fowler's conclusion. Thereupon Mr. Fowler pressed the matter, setting certain facts before Mr. Bennett, and the latter graciously undertook to take the time and trouble to examine more carefully into the situation, and promised to communicate in greater detail at some later time. In his reply Mr. Bennett said he had caused due inquiry to be made and was quite satisfied that the companies had kept their promise, and that Mr. Fowler was wrong in his submission.

It will be recalled that some time later the Bennett government directed the tariff board to make inquiries respecting gasoline. The inquiry was costly not only to Canada but to all concerned. I believe the investigation began in the spring of 1935, sittings being held in Regina, Calgary and Vancouver, and two sittings were held here in Ottawa. If I recall correctly, the whole inquiry lasted at least a year and a half, and on its termination a report was made which is familiar to all hon. members. The tariff board, a wholly independent body set up by the Bennett government, found that, either consciously or unconsciously, the companies had not kept their promise, and recommended that the duty on gasoline be reduced from two and a half cents to one cent a gallon.

I know that Mr. Bennett was quite sincere in sending that letter to Mr. Fowler, and the executives of the companies may have been quite sincere in believing they had kept the promise which they had given to the government of that day. But hon. members will

notice what a tremendous task was imposed not only upon the government but upon the people most vitally interested, the consumers of gasoline, of trying to prove, as finally they successfully did, that the promise was in fact broken; and thereafter they secured the relief which they so much desired. The consumers as a matter of fact would not have been able at their own expense to carry on that inquiry, but the province of Saskatchewan assisted them by bearing the expense of having their arguments properly presented and pressed home.

I turn now to the farm implements inquiry. I have heard suggestions from the other side that the farm implement companies kept the promise they gave to Mr. Bennett. Again I draw attention to the fact that the executives of these companies, perhaps not maliciously, perhaps unconsciously, did not adhere to the promise they gave. There was a costly inquiry into the matter, although in the end it proved a profitable inquiry for this country because of the changes that were made in the application of the regulations of the Department of National Revenue. But on that question alone, as hon. members know, a committee of this house sat in 1936, and again in 1937, and spent a great deal of time studying farm implement prices in this country. Here is a very strange thing in connection with the promise which was made to Mr. Bennett. The International Harvester company, the leading company in the farm implement industry in Canada, was never asked to give and never gave that promise to Mr. Bennett. I mention that to illustrate the futility of any government, Liberal or Conservative, attempting to depend upon promises given by private interests, be they manufacturers, lawyers or farmers, that they will not take advantage of a certain type of legislation to increase prices.

The committee went carefully into the prices of farm implements, and we discovered that whereas after 1930 the trend of prices of farm implements in the United States was downward because of the depression and the resultant desire of the companies to market their products, the trend in Canada remained constant. In my opinion and in the opinion of the committee the companies were not keeping the promise which had been given to Mr. Bennett, and which was relied upon by him. The real truth of the matter is that the trend of prices in the United States would have continued downward had it not been that Mr. Roosevelt in 1932 introduced his policy avowedly based on the assumption that it would be wise to increase wages and commodity prices in that country.

Mr. HANSON (York-Sunbury): In what year?

Mr. GRAHAM: In 1932.

Mr. HANSON (York-Sunbury): He was not elected in 1932.

Mr. GRAHAM: I am saying that he was elected. The increase in prices in United States started in 1933, as was pointed out, I think, by the hon. member for Souris.

Mr. ROSS (Souris): I did not make that statement.

Mr. GRAHAM: Somebody did, when giving the range of price increases in United States, starting in 1933.

Mr. ROSS (Souris): In 1936.

Mr. GRAHAM: In the United States prices did start to go up in 1933, but that price rise was based on the assumption that costs of production in the United States had gone up, and steel and other commodities entering into the manufacture of farm implements also showed a rising price trend; but neither in wages nor in material costs did that rise occur in Canada until the January, 1936, increase.

The committee found that so far as Canadian industry was concerned there was no justification for the price increase in January, 1936, although one could easily show from the price information we obtained from the United States that there was at least a measure of justification for the increase in the United States. The hon. member for Rosthern said that the committee had some difficulty in passing judgment on the increases that occurred in 1936. I do not think any member of the committee had any difficulty in arriving at the conclusion that the increases were not justified by the cost items entering into the production of farm implements in Canada.

I have heard many statements made in this house and on the public platform that the policy adopted by this government of lowering the duty on farm implements from 25 to 12½ per cent, and then later to 7½ per cent, did not have the effect of decreasing the price of farm implements but rather had the effect of increasing prices in this country. If the suggestion is that the lowering of the tariff had the result of increasing farm implement prices, I would say that those members who make that suggestion cannot have read the report of the committee of this house which took such a great deal of time and trouble to establish the facts in connection with the farm implement industry. The truth is, as disclosed by the report of the committee, that right in the middle of the inquiry there was a reduction in the tariff from 12½ per cent to 7½ per cent because of the treaty with the United States, and immediately the committee were notified by the International Harvester

company of a price reduction equivalent to the reduction in duty, expressed in dollars, on all implements imported from the United States and affected by the reduction in duty. The Massey-Harris company did likewise, and the John Deere company to a certain extent, but not on all implements. But the real failure of the industry to respond with price reductions equivalent to the reduction in duty was due to those companies which do not manufacture in Canada but manufacture practically their whole line of implements in the United States. I have in mind the John Deere company. While it manufactures a small line of implements in Welland, Ontario, the great bulk of its goods which are sold in Canada are manufactured in the United States. The John Deere company was in a position to disregard the reduction in duty, disregard the saving which that company made in the cost of marketing its products in Canada, and other Canadian companies saw no necessity for making reductions corresponding with the reduction in duty.

The situation was this. It was not that duties play no part in the price structure of any commodity but that there had grown up in the farm implement industry and in a number of other industries—I have no desire to pick on the farm implement industry—a tendency to disregard the tariff on any given commodity if there is a measure of control that permits an agreement, tacit or otherwise, to disregard the saving to the company and to insist that the consumer continue to pay the same price.

Mr. HANSON (York-Sunbury): Is the hon. member suggesting that the farm machinery people are in a combine or trust?

Mr. GRAHAM: I am suggesting this. Somebody referred to the Saskatchewan inquiry. I was counsel in that inquiry, which was held in 1938 or 1939, and it is true, as some member pointed out, that the committee of the Saskatchewan legislature reported to the dominion government that the position and the facts ascertained by the committee seemed to indicate that there was sufficient evidence to establish an infraction of the Combines Investigation Act. I say quite frankly to hon. members that there was not sufficient evidence to bring that fact home to any court in this land or any tribunal that might be set up. The committee of this house and the Saskatchewan committee could not possibly accept the fact that the price increases which were made in January, 1936, on a great number of farm implements could have been made without an agreement of some kind, when the companies engaged in the industry increased at the same time the price of each individual implement to the same extent. I think it requires a strong imagination to accept that this was done without some measure of agreement. But the leader of the opposition raises the very point that I wish to raise against the amendment introduced by the minister, which gives more power to the price control board to control prices. The hon. member will note, with me, the immense difficulty of substantiating before a judicial tribunal of any kind things of the nature of which I have been speaking. You must go further than merely setting up circumstances which arouse strong suspicion. You must actually bring home sufficient evidence to prove the point you suggest, that either the company is a combine or that the company is not justified in the price increase.

Mr. HANSON (York-Sunbury): May I suggest that that is going a little further; under the statute what one is required to do is to present a prima facie case.

Mr. GRAHAM: Even then I doubt very much that anything effective can be done, because the executive officers of all the implement companies swore that there was no written agreement and no verbal agreement; and they are men of high character. Yet the circumstances would lead one to assume that by some method the companies had all arrived in January, 1936, at a decision to increase the price of hundreds of implements.

Mr. DOUGLAS (Weyburn): And since, also.

Mr. GRAHAM: And since, also.

I referred to gasoline. After the tariff board had recommended the reduction and the government had implemented that recommendation by reducing the tariff from 2½ cents to one cent, the Canadian companies did not give effect to it, and I am informed on very good authority that the reduction which occurred throughout Canada was brought about only by the late able chairman of the tariff board, Mr. Justice Sedgewick, going to New York to interview the Texaco company, a company which brought in all its products from the United States, and insisting that, since that company was actually saving the reduction in duty, it should lead the way in giving the reduction to the consumer in Canada. So one can see the position which any government or any agency is up against in getting the corporate associations of this country to give effect to reductions in the tariff.

I want to point this out to those who would suggest that a reduction in the tariff on farm

implements simply gives the companies an opportunity to raise prices. If the remaining tariff of 7½ per cent were abolished, one would soon find strong lobbies or representatives of the farm implement industry in Ottawa attempting to persuade this parliament that that was unfair and improper. The farm implement industry would like nothing better than that not only Conservatives but everyone who speaks on this matter would accept the theory they adopt, that a reduction in tariff would mean an added cost of the implements of production.

Mr. HOMUTH: It has worked out that way.

Mr. GRAHAM: If the hon. member will read the farm implement prices committee's report, he will find that it gives the true reasons why that increase has occurred.

Mr. HANSON (York-Sunbury): That is the hon. member's interpretation of the true reasons.

Mr. GRAHAM: I am accepting the committee's report.

Mr. HANSON (York-Sunbury): Oh, well, the hon. member wrote the committee's report, did he not?

Mr. GRAHAM: No, the committee wrote it.

Mr. HANSON (York-Sunbury): What did the hon. member do for his $30 per diem?

Mr. GRAHAM: Allow me to offer this personal opinion. Long examination of the farm implement industry leads me to believe that, unless we are prepared arbitrarily to fix the prices of farm implements, thereby dealing with but one of a thousand problems in this country, and one which of course could not be treated singly, the Saskatchewan committee came to the only reasonable solution of the farm implement problem when they recommended that cooperative organizations take up the handling of farm implements so as to introduce into the industry an element of true and permanent competition. The cooperatives which suggested that course made it clear to the Saskatchewan committee that one cannot confer cooperatives on any people, just as you cannot confer democracy upon a people. I do not believe that this parliament can do much to assist, other than to set up legislation which would encourage the growth of true and wisely formed cooperatives, and which would allow those cooperatives to search the world for sources of supply of these farm implements. I believe that some day, in order to supply a much needed element of true competition, this parliament will approve legislation which will give effect to the thought I have expressed.

To come back to the resolution, I want to submit this to the government. I suggested before that I have enough sense to know that I may be wrong. But I am hopeful that they will adopt the same mental attitude and consider if there is not merit in the suggestions of my hon. friends who have spoken in like vein to myself. My own viewpoint in tackling this question of foreign exchange is that this is not a large enough policy to achieve their objective. It seems to me that there are other measures which are preferable to contracting our trade, increasing the cost of production, and so lowering our capacity to finance the war effort which we must make. We must bear in mind that conservation of exchange is only a means to an end; it is to make us more fitted to bear the load of taxation which we must carry in order to meet the war expenditures that must be made. So I suggest to the minister, as I have suggested before in private conversation, that the government might wisely explore the possibility of making reciprocal arrangements with the United States to stabilize exchange in the matter of trade and commerce. I suggest this in view of the relationship of the United States to Canada as part of this American continent, and in view of the declared policy of the present administration of that country to encourage a large reciprocal trade area to replace in some degree the loss to all the American nations of the greater part of their European trade. If the government could go further and include Great Britain in that exchange agreement, we should do a great service not only to Canada but to the mother country.

If that avenue is not open, I suggest that much the wiser measure to have taken would have been to have raised sufficient money in the New York market, at reasonable rates of interest and upon terms of payment, so far as the exchange rate is concerned, which would be fair to Canada.

It seems to me that in either of those two constructive ways this government could have solved the problem they are facing without imposing upon the consumer class of this country the burden which is imposed by this tax.

I agree with the other speakers as to the condition in which agriculture finds itself, not only in Saskatchewan but in the whole of Canada, but I do not propose to elaborate upon the subject. Our war efforts in this country of necessity quicken the wheels of our manufacturing industries. We not only encourage but expect almost every industry

to be working, if not night and day, certainly to the limit of its capacity. We are leaving to industry a certain measure of excess war profits. We are leaving to them of course a certain measure of their normal profits. So of necessity, because of the millions which we are pouring out of the public treasury, we are assisting one part of our economic life to be busy and so to lower cost of units of production. On the other hand, by the very nature of war expenditure, the need of increased direct taxation, the need of the imposition of such taxes as these, we are going to increase certain costs of production. Therefore we are going to increase the cost of living and make it more difficult rather than easier for our primary producers to pay the taxes expected of them.

I appeal to the government to take the widest possible view of this question. Looking into the future we know quite well that even when we are victorious the British empire is going to emerge from the war in a naturally depleted financial condition; but it is our duty, favourably placed as we are on this North American continent, to make every measure of contribution we can to the success of the empire, and even though we do not care for a moment to contemplate such a thing as defeat, I suggest that Canada should take steps to be in a healthy economic condition should the necessity arise so that we may be able to give some measure of leadership as well as of assistance to the empire as a whole after the war is over.

We Liberal members from western Canada may not be able to persuade the government to accept the views put forward on this question, and of course we realize quite well that it is their duty to decide the financial policy of the country as part and parcel of the whole national policy of Canada. In the last analysis that responsibility must be theirs. If, however, the government cannot see their way clear to adopt the suggestions we have made, then I say that we should like to get a slice if we cannot obtain a loaf, and if we cannot get even a slice then let them give us at least a crumb. So I join with the others in the hope that the government will find it possible not to restrict the non-application of the tax to mere farm machinery, because I do not think that will be broad enough to be of real assistance, but that all implements which enter into production should be given the exemption, whether those implements are used on the farm or in the factory; for, after all, if we have to tool up our factories, the factories should be permitted to equip themselves at the lowest possible cost. From the national point of view, therefore, I trust that the government will exempt from this tax all implements which enter into the productive capacity of the country.

The CHAIRMAN: Before the debate proceeds, I would advise the committee that I have considered the amendment proposed by the hon. member for Qu'Appelle (Mr. Perley), which reads as follows:

Provided always that such war exchange tax of 10 per cent on the value for duty of all goods imported into Canada as proposed shall not apply to agricultural implements and parts thereof.

The effect of the amendment is that all agricultural implements and parts thereof shall be exempt from the proposed tax. The government have submitted budget resolutions and have determined the amount of revenue required for public services. I read in May, page 544, as quoted in *Beauchesne* at page 164:

Though it is the function of the committee of ways and means to impose rather than to repeal taxes, examples of the repeal of taxation effected in this committee are to be found upon the journals. Proposals for the variation or modification of taxation can therefore be made in the committee; but these proposals must be grafted upon the financial scheme submitted by the government, and must not affect the balance of ways and means voted for the service of the year. Amendments, therefore, can be proposed to substitute another tax, of equivalent amount, for that proposed by the government, as, for instance, a proposal to substitute probate and legacy duty on real property as an alternative for an inhabited house duty, the necessity of new taxation, to that extent, being already declared on behalf of the crown.

I would read also the decision of this house given on March 2, 1936, as reported in the journals of 1936, volume 74, page 90:

Mr. Thompson, seconded by Mr. MacNicol, moved,—

That, in the opinion of this house, all rural telephone companies should be exempt from federal income tax.

Mr. Speaker ruled the said proposed motion out of order for the reason that it is not framed in such abstract or general terms that it can be entertained by the house. The proposal made therein is for a special reduction in the public revenue. The item to be struck out is mentioned, namely, the income tax levied on rural telephone companies. Such a proposal can only be entertained in committee of ways and means and, as May says, page 544:

"These proposals must be grafted upon the financial scheme submitted by the government, and it must not affect the balance of ways and means voted for the service of the year."

Therefore I must rule the amendment out of order as affecting the balance of the ways and means proposed by the government in its budget resolutions.

There is another question which I do not consider it necessary to determine, that is,

whether a private member, not a minister of the crown, could move an amendment of this sort. It is not necessary to determine that now, inasmuch as the point just dealt with disposes of the matter at present before us. I therefore declare the amendment out of order.

Mr. HANSON (York-Sunbury): I suppose your ruling, Mr. Chairman, is not debatable, and I do not rise to discuss it, but may I suggest with all respect that the more courteous course would be to call the attention of hon. members to the reaction in your own mind and to allow at least some discussion on the point of order.

Dealing with the last point to which you have referred, and which you say it is not necessary to rule upon at this time, I have always understood that it was in order for a private member to move to reduce taxation provided we were at the proper stage of the proceedings.

Mr. ILSLEY: In supply.

Mr. HANSON (York-Sunbury): In supply. "At the proper stage of the proceedings" covers everything.

The CHAIRMAN: I would point out to the leader of the opposition that it has been so decided when the house is on the bill, and the committee of the whole have already reported the resolution, provided that the balance of the budget resolutions is not affected.

Mr. HANSON (York-Sunbury): I have always known that it was not in order at any stage of the proceedings for a private member to move to increase the burden of taxation. That is axiomatic. I did think, however, that this resolution was in order, if I may be permitted to say so. In the words of paragraph 552 of Beauchesne, it is a proposal for the variation or modification of taxation, and can therefore be made in the committee. And it is a proposal which may be grafted upon the financial scheme submitted by the government, although it must not affect the balance of ways and means voted for the service of the year. It is on that, I suppose, that the chairman is hanging his hat.

The CHAIRMAN: I would say, rather, basing my ruling.

Mr. HANSON (York-Sunbury): I stand corrected. I find myself in great difficulty sometimes in maintaining the dignity of the position when I am so used to the vernacular of the street. With this apology I proceed.

I do not understand the rule to preclude the moving of similar amendments at a later stage with respect to the bill. There was something said that might indicate that we would never be able to move a resolution or an amendment of this kind. From that I must respectfully dissent.

The CHAIRMAN: As I pointed out, I have given no ruling which would affect the power of a private member to suggest a reduction of taxation. I do not believe it necessary. My ruling, which can be appealed from to the house, is based on the point that it affects the balance of the budget that the government have laid before the house as being required for the public service during the year. In my opinion there is no doubt that exempting a series of articles from the application of a tax must necessarily affect the balance of the revenue.

Mr. NICHOLSON: I should like to make a few remarks in support of hon. members who have presented the point of view of western agriculture. We do not claim for a moment that we alone in this parliament are concerned about the welfare of agriculture in Canada. But we are concerned about the farmers of Canada making their fullest and best contribution during this critical time. It has been clearly pointed out by all hon. members who have spoken that the farmers at this time are in no position to carry an additional burden. I called up a representative of one of the implement companies in this city yesterday to find out how the farmers in this part of Ontario are going to be affected by this proposed tax. It must be borne in mind that farmers in this part of Canada use much smaller machinery than is used in the west. But I was told that a farmer who purchases a small rubber-tired tractor will pay $80 to $90 additional as a result of this proposed tax. One who buys a small six-foot combine with a power take-off would pay approximately $50 more. If he bought a combine with auxiliary motor he would pay $64 more. On an 8-foot combine the additional cost would be $60.78. The implement company manager intimated that the additional cost would be about seven per cent on the present retail price.

I have received a letter from one of my constituents in which he states the amount of wheat he had to sell to pay for a 35-horsepower diesel tractor which he required for his farming operations. He paid for this tractor $3,500 cash. Adding seven per cent for this tax means an additional $245. When one considers that the farmers in Canada have been producing for less than cost over a con-

siderable period of time it is obviously most unfair to ask them to assume a further burden of this kind.

Hon. members have pointed out that there is no fair relationship between the prices farmers pay for their machinery and the prices paid to farmers for the commodities they sell. I have in my hand a report of the special committee set up by the Saskatchewan legislature a couple of years ago to look into this agricultural implement business. The hon. member who has just taken his seat was the counsel acting for this commission. I commend to hon. members a careful study of this report. It gives a break-down of the amount the farmer pays for a binder. In 1936 the farmer buying a binder at Regina paid $281 for the machine. The cost of the machine is divided as follows:

Raw material	$ 71 06
Labour	22 62
Freight from factory to selling point	26 06
	$119 74

Difference between above items and selling price, $161.26.

I am aware that there are other costs in connection with the handling and distribution of farm implements, but I submit that a spread of $161.26 is altogether too great, and to place an additional load on the backs of the hard-pressed farmers is very unfair.

Mr. HOMUTH: Did the report give a complete break-down?

Mr. NICHOLSON: Yes.

Mr. HOMUTH: Would the hon. member give the rest of it?

Mr. NICHOLSON: I shall be pleased to do so?

Overhead or burden	$33 93
Experimental work	2 55
Commission	45 50

Some hon. members apparently were under the impression some years ago that if we had in office a low tariff government it would bring great relief to the farmers. This committee carried out studies in that connection. Evidence was given that in 1935 an 8-foot binder sold in Regina at $263. The next year we had in office a low tariff Liberal government, but the price in that year was $281. The next year, still with a Liberal government, the price was $295, and the next year it was $324.75. The price has remained at about that figure ever since.

I should like to refer to a speech made in this house by the Minister of Agriculture on April 29, 1938, as reported on page 2429 of *Hansard:*

> The industry has paid no attention to the complaints of farmers and the warnings of the committee. If they persist in this course action should be taken which they would fully understand and appreciate. Agriculture, which is the greatest primary industry in Canada, refuses to be bled any longer by half a dozen manufacturing plants which give as their only real reason the fact that they are employing 4,159 men.

The evidence which has been placed before the committee by other hon. members from western Canada should make it abundantly clear that the farmers at this time cannot stand the additional burden that this proposed tax would place upon them. I ask the minister to observe and keep in mind that representatives of four different groups on this side of the house have united in asking him to consider the advisability of permitting agricultural implements to be admitted into Canada free from additional taxes. This is most important if we are to have the greatest production of foodstuffs at this time. Other hon. members have pointed out repeatedly that the success of the cause which is so important to us all is depending and will depend to a greater extent on the increased production of foodstuffs. I urge the minister to give most careful consideration to the proposal to admit agricultural implements, and parts therefor, free from any additional burdens.

Mr. HANSELL: I wish to express my appreciation of what has been said by those who have spoken on behalf of western agriculture. I agree with the hon. member who preceded me, that the farmers of the west simply cannot stand any further burden. I said yesterday, speaking on another matter, that it did seem to me the primary producer gets the worst end of the deal all the time. What I am about to say may not directly touch this department, but I wish to point out to the minister that this year the farmers may find themselves under a still further burden. We understand that there may be a tremendous carry-over of wheat. According to reports it would seem reasonable to suppose that it will be difficult to find storage for all our grain. It has been brought to my attention by one of the newspapers in my constituency that while this need will become apparent this fall the farmers are unable to proceed with the construction of granaries for the storage of their grain. Something must be done, and it appears to me that the farmer will have an additional burden to carry. He simply cannot stand it; that is all there is to it.

I should like to read a brief paragraph from a lengthy article which appeared in the High River *Times,* discussing the matter of the

storage of grain and giving an analysis of the additional burden that will be placed upon the farmers of the west:

An estimate of the approximate initial cost of building granaries to store the crop, is about five cents a bushel, plus labour building. These buildings would be good for five or ten years, thus spreading the actual cost over the years one-half cent per bushel. But they would have to be paid for as built, and five cents a bushel is too heavy a charge to impose on the individual farmer at prices which are likely to prevail.

For example a granary twelve by fourteen and eight feet studding would take about 1,900 feet of lumber and 2,000 shingles. It would have 1,200 bushel capacity and the cost of materials including nails would be around $60.75. On a granary of 1,450 bushel capacity would cost around $74. These figures are approximate, subject also to the changing prices of lumber, and are used merely to show the tremendous outlay involved in building farm granaries of a durable nature to store the probable prairie crop.

The question asked in this article is who is to finance this investment. Perhaps that is where the Department of Finance might come in. The farmers cannot do it; the lumber companies cannot do it, yet if dame rumour is correct that additional storage space will have to be provided in order to store the grain this year, and if the farmers must build the granaries, this will be an additional burden for them to carry. The hon. member who preceded me pointed out the extra burden in connection with machinery, and it seems to me that it is simply burden after burden as far as the western farmer is concerned.

The amendment has been ruled out of order, but the minister has had an opportunity to feel the pulse of this committee, and I think he realizes that the general opinion seems to be that this additional burden should not be imposed upon the farmers at this time. We urge him to reconsider this provision. It may be out of order for a private member to move such an amendment, but certainly it would not be out of order for the Minister of Finance himself to deal with the matter. I am sure he can do so, and I do not think such a change would affect the budget a very great deal. In the light of what has been said by all who have spoken we urge the minister to give this matter further attention.

Mr. WOOD: Since the amendment has been ruled out of order, Mr. Chairman, I need not place on record a good deal I had intended to say. After listening to this discussion, however, one might feel that all the farming in Canada was done in the three western provinces; and representing a constituency which in the main is rural, though of course it is partly industrialized, I felt there should be some expression of opinion on behalf of the Ontario farmer. We quite admit that there is a preponderance of agriculture in the three prairie provinces, yet in terms of value the good old province of Ontario each year since confederation has produced almost as much as the three prairie provinces together. Therefore I think there should be some consideration given the Ontario farmer, because after all I am sure that his difficulties are very similar to those of the western farmer.

Hon. members from the west seem to have a sort of pick on the agricultural implement industry. It seems to me, however, that if these implements should be exempt from this tax, the fertilizer used by Ontario farmers, for example, should be exempt also. Last week I made an appeal to the minister in this connection, and I rather feel that my argument was sound, at least as sound as the arguments of the Conservatives. Of course they generally want protection on the things they have to sell and free trade in the things they want to buy. Perhaps I might be accused of taking that view in appealing for the removal of this tax on pure-bred live stock coming from the United States. I need not repeat that appeal now, because it is already on record, but I feel that instead of a ten per cent tax being placed on tractors for an indefinite period of time we might have a complete embargo against the importation of tractors. That would not hurt the western farmer, though it probably would curtail the production of wheat. The fact of the matter is that about a hundred million bushels of wheat is grown on land that should grow feed and grain for horses. Such an embargo would stimulate the production of horses, and instead of buying gasoline the farmers would raise their own fuel. I have a firm belief in the long-term policy I recommended to the minister last Thursday night, when I asked for exemptions on the importations of pure-bred sires from the United States. Undoubtedly the farmer in Canada has a little keener eye than has the average farmer in the United States with respect to judging superior live stock. I believe that may be accepted as a generally known fact.

Because of our superiority in this respect we have been in a position to export large numbers of dairy cows. Those exported animals have been superior to those offered in the United States markets—at least I believe that must be so, or they would not want them. It seems to me that if an embargo were placed on the importation of tractors, if they were kept out of Canada completely and we had to go back to the breeding of colts and horses and to the

growing of the feed for them, we would be creating a market in Canada for our own products, and at the same time we would take about a hundred million bushels off a glutted wheat market.

Much as I dislike tariffs, I am supporting the measure in general. I believe the minister ought not definitely to make up his mind that if he exempts one commodity he must exempt others, believing that he might be setting up a precedent or that he might bring about a flood of appeals in connection with other interests. We must face things as they are. I am a realist, not a theorist. I believe that one ought to lend one's support to a measure not because it may involve high tariff or low tariff, but because it is in the national interest. I was happy to receive support from the hon. member for Peel (Mr. Graydon), who sits across the way, and who has a charming personality indeed.

Mr. GRAYDON: That is mutual.

Mr. MARTIN: On with the business of the house.

Mr. WOOD: I was deeply interested in his observations the other day. I am led to the belief that if we came down to actual reality the hon. member and I have far more in common than might appear at first, and that there may be only few subjects in respect to which our opinions are divided.

Mr. McIVOR: You are both progressive.

Mr. WOOD: While I am on my feet may I deal particularly with the observations respecting myself made last night by the hon. member for Battle River (Mr. Fair). While he did not specifically mention my name, he did refer to certain observations I had made, and I am fully aware that when he spoke he had me in mind. The hon. member said that in a contribution I had made to the debates I had at one time said that the farmers were extravagant. I should like now to correct any misunderstanding in that regard. I do not believe what I said was meant in the sense indicated by the hon. member. The only way in which the Ontario farmer shows any extravagance is the energetic manner in which he goes about producing the fruits of his labours. I think it may be said that there are few who put more effort and energy into their work than he does.

No; I have never said what the hon. member suggested. Yet I do agree there are many farmers who to a certain extent are the victims of their own folly. It seems to me that when we consider the reason for the imposition of the 10 per cent duty on agricultural implements now being discussed by the committee, we must agree it is only a bagatelle. The duty is imposed to bring in revenue with which to conduct our war effort.

If I may be permitted to make a personal reference, over the last week-end I went home, and while there purchased a new Massey-Harris binder. It so happens that the firm manufacturing the binder is located in the constituency I represent, and naturally, since it was manufactured right in the city of Brantford, I bought that make. I traded in a binder which, purchased originally for $175, had been used on my farm for thirty years. Yet, when I purchased the new binder, not only did I trade in the old one but I paid $265 in cash, or the equivalent of 440 bushels of wheat. It would appear, therefore, that so far as exchange of service is concerned the farmer is not in a happy position, and it may be that the hon. member for Battle River had that point in mind when he attributed to me a statement respecting the extravagance of farmers.

After all, it must be remembered that the old binder cut the crops on 200 acres of land for thirty years. Placing the cost price at $175, the depreciation on the binder distributed over its life stands at only $5.81 per year. With these figures in mind I am inclined to the view that there are many farmers who neglect their implements, who probably leave them out in the weather a month or so after the harvest, and that possibly from their own neglect they are paying a great deal more than this 10 per cent.

I do not like tariffs any more than do the farmers from western Canada, but we must look at the matter from the point of view of the national interest. I believe the minister is sincere in his efforts to get revenue, and in my view we would do well to pay for our war effort when the flow of money is at the highest point and when the velocity is greatest. We ought to collect at this time as much as possible, and not leave heavy debts for the post-war period.

I urge again that the minister might do well to place a twenty-five per cent rate on tractors and to reduce the ten per cent rate on pure-bred live stock entering Canada. By so doing he would have shaped a two-edged sword: he would be discouraging the use of tractors and relieving an over-glutted wheat market, while at the same time he would be creating a market for the products of our farms. Not only would we save exchange which might be lost in the purchase of tractors, but we would save through greatly decreased purchases of gasoline brought in from the United States.

Even if I do not get my own way, I shall support the measure. It has been my philosophy in life that if one does not always get his own way, he would do well to subscribe to what is being done in the hope that in the final distribution he may get something in return.

Mr. CASTLEDEN: Mr. Chairman, I hesitate to participate in a debate which has been marked by so much oratory and legal, shall we say, wisdom. It has been interesting to listen to hon. members from all parts of the house speak on behalf of the primary producer, and try to tell the administration that something is seriously wrong when conditions in any part of our dominion are permitted to get into the unfortunate state in which western agriculture now finds itself.

I was wondering how long we would have to listen to hon. members from both sides of the house before someone mentioned the old topic of tariffs. I was born in Saskatchewan, and since I have been old enough to go to political meetings I have listened to tariff discussions and heard people talk about tariffs. The high tariff people told us how their policy was going to save agriculture and the western farmer, and the low tariff people told us how their policy was going to save the country. Both the older parties have had opportunities to try out their policies, with the result that western agriculture has gone down to a point which is an absolute disgrace.

Mr. MARTIN: The drought may have had something to do with it.

Mr. CASTLEDEN: I agree; it has had a great deal to do with it. But there have been other injustices which have done more to ruin the west. Here are some figures showing in bushels of average-grade wheat the average price a farmer would have had to pay for a binder:

	Bushels of wheat
1916	96
1922	216
1937	822

Hon. members from all parts of the house have been saying that this is a burden which western agriculture cannot stand. I point out to the administration that it is dealing with a sick man, and no person can convince me that the government does not know it. The information which this government have respecting conditions in the west is sufficient to make them realize that the imposition of this tax will mean ruin and the end of the road for a lot of people. We have spent a billion dollars for relief, and we can go on spending more because these people who have worked so hard on the land are going to lose everything they have. I tell this government once again that this thing cannot go on. If its policy is deliberate the government deserves the worst condemnation we can bring to it.

Conditions in eastern Canada are different. I have noticed this about eastern farms. Their economy is different. They are able to take advantage of greater diversification. We see farms all around us in this province abundant with crops of hay, large herds of milk cattle, and a variety of strawberries and other fruits. They can finish cattle and take advantage of the market for finished beef and pork. They can make money the year round out of the products they produce. But western Canada has no such diversification. She depends largely upon wheat.

The thing that has bothered me most, Mr. Chairman, since I have been here, is the conduct of members on the government side who talk reform. Some of them seem to be just as far to the left as we are. They want reforms in health, finance, and social legislation, all along the line. They talk of having seen a vision of the house upon the hill. They seem to have the courage of their convictions to the extent of standing up and stating them. But when it comes to a vote, where do they stand? I notice that some of them even duck the voting.

I want to pay tribute to the youngest member of the house for his speech last night. I was particularly pleased that he was not rudely interrupted by the hon. member for Skeena (Mr. Hanson).

Turning to the amendment now before us, I cannot see how it is going to save anything. What a source of great satisfaction it must be to the western farmer to read it! It is about as much good to him as it would be to tell a man who is dying from galloping consumption that when the dentist comes for his false teeth after he has died he will not be allowed to make any undue profit out of selling them again. When the minister replied to the hon. member for Lake Centre (Mr. Diefenbaker) I saw that about the last hope of the western farmer was gone. It meant nothing less than this, that the western farmer was to be sacrificed on the altar of our trade agreement with the United States.

It is not alone in the realm of agricultural machinery with its increased prices that the farmer will suffer through this budget item. Those who import wool or woollen clothing or cotton or cotton clothing will pass on the increased costs of production caused by this tax in increased costs to the consumer, and

the people of western Canada will have to pay more for their clothing, more for socks and shoes and stockings for their children. You cannot get any more money out of western Canada. There is no possible source of increased revenue for the farmer. You cannot get blood out of a stone. He has nothing more you can take. This tax will only mean that his standard of living must go still further down, and more children in the west will have to stay home from school this winter because of lack of clothes to cover their backs and shoes to cover their feet and materials with which to repair their worn-out clothing. This increased cost of living, on top of the increased cost of production, means the end of the road for many people. Most of our farmers in western Canada see no hope of any possible increase in their revenue and, as I have said, this tax is bound to force down their standard of living. I have no objection to a ten per cent increase that is passed on to people who are going to enjoy a higher income because of increased activity in the industrial areas. Many homes in industrial Canada will enjoy an increased income, and naturally they will be in a better position to pay their share of this taxation.

I should like hon. members to consider the case of a friend of mine. In 1916 he bought half a section of land. To pay for it he took a farm mortgage of $8,000. The first four years of his farming were fruitful, and in that period he paid $4,000 off his $8,000 mortgage. Then bad years struck him, but through the good and bad years he struggled along. He has receipts from the trust company showing that he has paid $10,500 on his mortgage. The trust company notified him in 1938 that, after having paid $10,500 on his $8,000 mortgage, he still owes $7,200. The $10,500 had reduced his capital debt by $800. We figured it out the other day and found that he expects to celebrate the two hundred and fiftieth anniversary of his wedding by burning the mortgage! Fortunately the trust company is not going to foreclose on him this summer.

It has already been pointed out that ninety per cent of our farms in Saskatchewan are mortgaged. This is not the result of mere laziness, nor is it because our farmers, as some people suggest, waste their money and go off to California every winter; nor are they improvident. The fact is that when the farmer is unable to make any payment on his mortgage or indebtedness because of drought—and this is a point I want to make clear—capital still continues to take its toll. The reward of capital is far too great. It is neither right nor just that the farmer who has lost everything he attempted to produce in rust or drought years should be further penalized by having interest charged upon his mortgage until the load of debt becomes insurmountable. In view of what has happened in the west I warn the minister and the government that western Canada cannot stand this extra burden. This increased cost of living will break its back. In increasing numbers our farmers will be forced into bankruptcy and on relief.

A return was tabled in the legislature at Regina showing that almost 3,000 farm foreclosures had been made in the four-year period ending February 1, 1938. If this legislation goes through, as apparently it will, the farmers must be given some protection, otherwise they are going to lose everything they have. The War Measures Act is now practically the constitution of Canada, and I cannot see how our farmers can be saved unless this government take advantage of the War Measures Act to stop foreclosures against our farmers at least for the duration of the war. If that is done you will find them willing and ready to produce everything they can and to do their utmost. Carefully considered legislation should long ago have replaced the "pass-the-buck" policies which are exemplified by this clause. As I said before, you are dealing with a sick man. He is the victim of neglect. He has been fooled by organized pirates of finance who apparently are more interested in getting his legacy, what he may leave, than they are in curing him.

I hope that the government will take some of these facts into consideration before this measure is finally passed.

Mr. GRAYDON: I rise somewhat reluctantly to take up the time of the committee this afternoon. During the progress of the debate last evening I was called out of the chamber for a short time, and during my absence the hon. member for Regina City discussed a number of pertinent subjects relating to some of the industries in which I, as the representative of my constituency, am naturally interested. I wish first to thank him for his kindly and reassuring remarks with reference to me personally, and, now that the hon. member for Brant has taken his seat after making a splendid contribution to the debate, I might couple his name with that of the hon. member for Regina City.

During the debate last evening the hon. member for Regina City referred to a speech which I made in 1939 in connection with the tariff on fruits and vegetables. That subject is not new to hon. members. Alluding to the tariff applicable to imports of these products into Canada, he took exception to the rates in force under the Bennett adminis-

tration, on the ground that they were much too high. On page 1686 of *Hansard* he refers to my speech as follows:

For example, he refers to carrots costing $1.25 a crate which were subject to a dumping duty of $2.73.

And he gives various other details to support his argument. But after all, as the hon. member for Brant has said, all of the privation and suffering in agriculture is not confined to western Canada. In saying that I am not minimizing nor have I ever minimized what western Canada has undergone during the last number of years, but I ask for the toleration of hon. members, whether they come from western Canada or anywhere else; I ask them to realize that in almost every part of this dominion there are problems calling for solution which are peculiar to the farmers of those particular localities.

So far as the fruit and vegetable industry is concerned, it is true that for a certain limited period of the year there are tariffs designed partly to stop importations into Canada. But I do not wish hon. members to assume that the industry on whose behalf I have spoken many times in this chamber is asking for anything which will deprive other sections of the country of their just dues and deserts. The fruit and vegetable industry seeks protection only at certain times of the year, not all through the year, as might be indicated by some general references to the matter. All it asks is that it shall enjoy the home market for the time that it is able to supply that market in great abundance. I admit that during certain periods the duty may seem high, but it actually is not too high. I defy any hon. member or, indeed, anybody in Canada to say that it has had the effect of raising the price of fruits and vegetables to the consumer. The fact that the domestic market is flooded in these periods by the products of our own orchards and market gardens prevents any such situation from occurring. So, when the fruit and vegetable men of the dominion ask for a high tariff applicable in a certain specific period, they are not doing so at the expense of the consumer or of any other class in the dominion.

May I answer in a kindly way the hon. member for Regina City. If he is not convinced of the soundness of my arguments with regard to the effect of the lowering of the tariff, perhaps the results as regards importations would satisfy him, because what we prophesied would happen as a consequence of the lowering of the tariff has unfortunately occurred. Since this tariff tinkering took place in 1935—and I use that word advisedly—

Mr. MacNICOL: It is a good word.

Mr. GRANT: 1930.

Mr. GRAYDON: —this is what has occurred. I have obtained my figures from another source, but I regard them as no less reliable than those of my hon. friend. When the tariff tinkering took place in 1935, many hon. members rose in defence of the fruit and vegetable industry and predicted that there would be a great increase in importations of fruits and vegetables from the United States. From 1935 until the new agreement came into effect on January 1, 1939, importations of vegetables increased nearly fifty per cent beyond what they were in preceding comparable periods. In 1939, when the new agreement went into effect, we found ourselves oppressed with a still heavier burden. Those of us who raised our voices against what we considered to be an unjust lowering of the tariff were accused of taking a pessimistic view of the situation. But I would point out to the hon. member for Regina City that if he will look at the results as regards importations of fresh fruits and vegetables, he will see that all the statements and the prophecies made in this respect at that time from this side of the house have unfortunately come true.

After all, this is a great country and agriculture has many branches. I ask only that all hon. members shall be tolerant and understanding as regards the problems of our industry. We are not asking and never have asked for a tariff or one which will prejudice the consumer. We have asked only for a tariff high enough to keep out United States imports when their exclusion will give our people a chance to market their products. To-day one of the results of the present policy is staring us in the face. When the Minister of Agriculture brings down his estimates he will ask for more money to advertise and to try to sell the great quantities of fruits and vegetables which we have produced, and cannot consume, largely because we have left the back-door open for United States stuff to come in.

Mr. MacNICOL: And the front door too.

Mr. GRAYDON: I make that statement in all fairness and without undue criticism of the government, merely pointing out to the Minister of Finance that the ten per cent increase in the tariff is as near to being useless to the fruit and vegetable men as any kind of tariff could be. We are not interested in a tariff of ten per cent through the year. True, it may be of some help in a small way, but if we are going to have a market in Canada for our products we must have more than ten per cent increase in certain parts of the year. We must have a tariff sufficiently high to make it impossible for United States products

of a class or kind produced in Canada to enter our markets and displace the products of our own fruit and vegetable growers. I very much regret the necessity of depriving some of our western members, particularly the hon. member for Regina City, of some of their best campaign arguments, such as they used in the last election. I do not think it is quite fair to a great branch of the farming community, who are doing their best under trying circumstances to make ends meet, to single out that particular industry. It has not been harmful to Canadian consumers. On the contrary, it has given the people some of the best products that appears on their tables. For that reason and others that I shall not mention I ask for the tolerance of members to the arguments that are put forward in favour of one of the greatly depressed branches of the farming industry in Canada.

Mr. DOUGLAS (Weyburn): I do not intend to traverse many aspects of the question that has been discussed by other speakers this afternoon. I wish to take but a few minutes to put on the record one or two facts with reference to the effect of this resolution. In the first place, the resolution removes the last tattered shred from the Liberal party's pretence to be the free trade party of Canada. Let us make no mistake about it. This tax is a tariff. The minister, as reported at page 1611 of *Hansard,* said:

> I am inclined to think that in some cases the ten per cent tax, or the ten per cent increase in the tariff where the goods are dutiable, is not going to cause actual loss.
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> * * *
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> We are following the regular practice; the matter of ethics or of principles is not involved. The matter of raising the duty ten per cent, or imposing a ten per cent duty on duty-free goods, and calling it a war exchange tax, is a matter of practice.

We should recognize first of all that, no matter by what name you call it, this tax is a ten per cent increase in the general level of the tariff. The second point is that, according to the Liberal doctrine as we have heard it expounded in Canada for a good many years, you cannot raise the tariff without having two effects upon your economy: first, an increase in the cost of articles coming into the country, and, second, usually an increase in the price of articles produced in the country by virtue of the protection enjoyed. The whole argument of the hon. member for Swift Current to-day was to prove that, in spite of appearances, the reduction in tariffs did reduce the cost of articles to the consumer. If that be true, then the effect of this ten per cent tariff must be, inevitably, an increase in the cost of articles imported, and a probable consequence of that will be an increase in the cost of articles produced in this country by industries enjoying the ten per cent protection. I merely wish to put these two statements alongside the record of the Liberal party for the last eight or ten years with reference to the whole question of the price of farm implements, and I can do so in just a few sentences.

In western Canada, from 1930 to 1935, we listened to scores of Liberal speakers pointing out to agricultural audiences that the reason why the farmer was so hard up was that he paid so much for his farm machinery, which reflected itself in the cost of production, and that the reason why his farm machinery cost so much was that the Bennett government had imposed a 25 per cent tariff on farm implements. The Liberals said, "You put us in and we will bring the tariff down, and the farmers will be able to produce for less and so compete in the markets of the world." This government was elected on October 14, 1935, and one of its first acts was to lower the tariff on farm implements from 25 per cent to 12½ per cent, and later to 7½ per cent. But, strange to say, every time they lowered the tariff downward, the price of farm implements went upward. The hon. member for Swift Current points out that the price went up not because the tariff went down. If that is true, the other must be true also, that the price went up in spite of the tariff going down.

On March 2, 1936, the government referred the matter to the committee on agriculture, and that committee reported back to the house on February 1, 1937, a year later, suggesting the setting up of a select committee to study the price of farm implements. That committee reported on April 6, 1937, and submitted some thirty recommendations. I shall not weary the committee with them; I will merely point out five. They pointed out that farm implement prices from 1891 to 1936 were consistently too high and recommendation 30 read:

> Over the period from 1891 to 1936 retail prices of farm implements have been maintained at too high a level, as shown by the financial returns to the companies engaged in the industry during that period.

Another finding of the committee, No. 2, was that the increase in January, 1936, was not justified. Recommendation 29 read:

> The increases announced by the companies in January 1936 were not justified by the increase in manufacturing or distribution costs, or by the financial results of the companies.

The third recommendation was that the committee was convinced that the cost of distribution was too high. Recommendation 33 reads:

> The committee is of the opinion that the cost of distribution of farm implements is unnecessarily high and constitutes an important factor in the price to the consumers.

The fourth important recommendation was one in which the committee stated that the cost of farm machinery bought on time was so excessive as to constitute usury, and they urged that immediate steps be taken to reduce credit charges.

The fifth recommendation was that unless the companies themselves took action, the government should encourage the cooperative distribution and servicing of farm implements.

That report was tabled in this house on April 8, 1937, and it lay on the table for over a year. On April 29, 1938, we finally discussed the report. In the interim, in spite of these statements, in spite of these conclusions, the price of farm implements went up again, making a total increase of 11 per cent. When the report was before this house on April 29, 1938, I moved an amendment suggesting that since the implement companies had not seen fit to comply with any suggestions of the committee, the government should take steps to set up cooperatives and assist farmers to buy machines cooperatively. That amendment was turned down. But I remember that the Minister of Agriculture made an impassioned and fiery speech that night. I can see him now, standing in his place, one hand clutching a glass of water and the other clutching the implement companies by the throat, threatening that unless they did something immediately to reduce the prices of farm machinery, dire consequences would follow. Not only have they failed to reduce prices but they have again increased them. But there have been no dire consequences.

In Saskatchewan a provincial committee was set up to study the same question, and the results were similar to those obtained by the committee set up by this house. The facts are beyond dispute: we have had tariff reduction and at the same time increases in price, due to the fact that is becoming increasingly evident that we are faced in this country with a great monopoly, not only national but international in scope, which has been able, notwithstanding the tariff, to control prices on both sides of the boundary. If this ten per cent tariff increase is going to have any effect at all, it can only have the effect of raising again the price of farm implements. And the Liberal party, which has stood for free trade, or at least very low tariff, is now faced with one of two alternatives: they must either say that lowering or raising the tariff makes little or no difference to prices, or they are now proposing to raise the tariff which can but have the effect of increasing the cost of implements of production.

Personally I am not yet satisfied that any argument has been advanced to show that the purpose for which this tax is to be levied could not be attained in some other way.

An hon. MEMBER: What other way?

Mr. DOUGLAS (Weyburn): I am coming to that. Two reasons have been suggested for this tax: one, revenue; the other, conservation of exchange. As to revenue, it has already been pointed out that there are other fields from which revenue could be derived.

Mr. ILSLEY: What, for instance? I should like to have it.

Mr. DOUGLAS (Weyburn): A luxury tax.

Mr. ILSLEY: It has been thoroughly explored.

Mr. DOUGLAS (Weyburn): Succession duties.

Mr. ILSLEY: That is provincial.

Mr. DOUGLAS (Weyburn): Not exclusively. There is nothing to prevent the federal government from entering that field.

Mr. HANSON (York-Sunbury): It should be all federal.

Mr. ILSLEY: Should be, but it is not.

Mr. DOUGLAS (Weyburn): It should be and could be, and if the minister wants to make this tax a luxury tax, it could apply to articles that are not necessary from the point of view of either the consumer or the producer.

Mr. ILSLEY: That was thoroughly explored. The possible returns from it are very low.

Mr. DOUGLAS (Weyburn): If this tax is to raise $65,000,000 as has been suggested, it can raise it from only one source, namely the consumer, the person who buys goods, by increasing his costs and consequently decreasing his purchasing power.

The second object is said to be conservation of exchange. I am not convinced that the same purpose could not be attained by rationing exchange, through import boards to which importers would be required to apply for permission to purchase exchange in order to import goods. That is done to some extent now, under the foreign exchange control board, and could be extended.

Mr. ILSLEY: Surely that would raise prices, would it not?

Mr. DOUGLAS (Weyburn): No; what it would do would be absolutely to stop the bringing into this country of anything which the government considered not absolutely necessary. And in war time we should be prepared to do that.

Mr. ILSLEY: And throw the market to the domestic producer.

Mr. DOUGLAS (Weyburn): In order to keep out things like motor boats or things a man could do without, and so conserve exchange. This tax is a tax on people who have to buy implements of production.

Mr. ILSLEY: We may have to do the other also.

Mr. DOUGLAS (Weyburn): I would be in favour of that. But we could do this first, and attain what purports to be the objective of this resolution, without bringing about any of the harmful effects that this ten per cent increase in the tariff will have.

I rose for the purpose of putting before the committee these facts regarding what is happening to farm implements: the tariff has gone down, prices continuing to rise. I cannot associate myself with the pious wishes of the hon. member for Regina City who feels that the war-time prices and trade board may do something about the matter. The hon. member for Swift Current placed before the committee this afternoon some facts which proved to his satisfaction that from 1930 to 1935 the agreement made by the implement companies and the oil companies had not been kept. I have no more faith that any agreement will be kept now. The effect of this tariff increase will almost inevitably be another increase in the price of farm implements, which are already too high. I appeal to the hon. members who have voiced their objection to this ten per cent tariff particularly as it applies to implements of production, to oppose the passage of this resolution. One hon. member said that this is a time for national unity behind leadership. That is true, provided one knows where the leadership is leading him. We were told yesterday in the midnight broadcast that in the British House of Commons members of a national government, where they have a preponderant majority, and where the opposition are represented in the cabinet, turned down a bill and absolutely refused to pass it in the form in which it was presented because they considered it detrimental to the people, and the minister said it would be amended. That is democracy; that is retaining our parliamentary rights; that is what we are here for and what the people of Canada expect of parliament. They expect hon. members not merely to indulge in vociferous fireworks but to say to the minister and to the government that this resolution in its present form is not acceptable and we propose to vote against it. If we can we certainly shall ask for a vote on this resolution, in order to show where hon. members stand.

Mr. STIRLING: There is a phase of this resolution that interests me very much, but not for reasons which have hitherto been dealt with in the discussion. The minister proposes this ten per cent tax for two reasons; one is to conserve exchange, the other quite obviously is to get revenue. How the two are to be made compatible one with the other, I do not understand. But speaking as a representative of people particularly interested in the production of fruits and vegetables, I want to return to the startling figures which the hon. member for Lake Centre placed on *Hansard* a day or two ago. He drew attention to the fact that with regard to the conservation of exchange this measure had been of no effect whatever, as indicated by the carloads of fruits and vegetables which had been imported during the first week this tax was in effect. He referred to one market in Canada, the greatest, Montreal, and in addition there are three other important markets to which such commodities come. The hon. member for Regina City took him to task, pointing out that it was improper to use the figures of importations during the first week because the cars which came to Montreal during that week must have been ordered long before June 26 and consequently could not have had the ten per cent tax imposed. That statement merely reveals that the hon. member for Regina City is not fully acquainted with the customs of trade. It will take only a few moments to explain that point and I wish to do so because it leads to another.

Broadly speaking, Chicago is the receiving point for the whole of the middle west. Cars of fruits and vegetables from California and other producing states roll to Chicago largely on consignment. The Montreal wholesaler does not buy at the shipping point. He buys from Chicago; he may buy when cars have left Chicago on consignment to Montreal; he may even buy on the tracks in Montreal. On June 25 this ten per cent tax became well known in the distributing centre of Chicago, so that any cars which came to Montreal after June 26 certainly came in under this tax. This shows that the ten per cent tax did

not operate for the purpose of conserving exchange.

But supposing there was any validity in the argument of the hon. member for Regina City, that validity is entirely destroyed when one considers the figures for the week after that, when undoubtedly the ten per cent tax was in operation. During the week from July 2 to July 8, thirty-five carloads of cantaloupes rolled into the Montreal market which, as I say, is only one market in Canada. In that week fourteen cars of cherries were received. The British Columbia crop is just about cleared up, but the Ontario crop of admirable cherries is running strong. Twenty-six carloads of peaches came to Montreal. Within three weeks Ontario peaches will be at their flood; at any rate commercial production will be commenced, but we have twenty-six carloads of peaches bought by consumers in that one market. Thirty carloads of plums came to Montreal during that week, in addition to the twenty-eight carloads which came during the previous week mentioned by the hon. member for Lake Centre, and 111 carloads of tomatoes, with shipments coming already from various points in Canada.

I am entirely in agreement with a measure having as its object the conservation of exchange. It appears to me most unreasonable that in one market, Montreal, during the week commencing June 26, some $56,000 worth of plums should be sold, with another $61,000 worth entering the same market the following week. In various parts of Canada we produce plums of better flavour than those imported; we are most anxious to use the Canadian market for the distribution of our plums, yet consumers in Montreal have an opportunity of buying and consuming between $110,000 and $120,000 worth of plums in a fortnight.

This is a matter which principally concerns three groups of people: the producers, the trade and the consumers. The producer is anxious to have at his disposal the Canadian market during the period of his production. It may be asked what view the trade takes on a tax, a method, an endeavour, to conserve Canadian dollars. If the minister were to go into the matter with the wholesalers of the shipping port of Montreal for instance, there he would find men earning their living in that branch of industry who are just as patriotic and just as desirous of helping Canada in her war effort as we are. I think he would have this story told to him: "The custom of the trade has been for these cars to roll into our market. That is the way in which the people who sell to us deal with us. It is necessary for us to do what we can with those cars which are sent on consignment. Among our members here is a wholesaler who stocks himself with a certain range of commodities; here is another, and another." The wholesaler says, "If I am to retain my business I must stock up the various commodities which are at our disposal. I must endeavour to sell them. It is the custom of the trade." But he also says, "If Canada is at war and the government is endeavouring to conserve Canadian dollars and not allow them to go out of Canada for luxuries, why is not this stopped? We cannot stop it."

I appeal to the minister to consider those other methods to which his predecessor referred in the budget speech, when he said:

> . . . it may, from time to time, in respect of certain classes of civilian imports, take other methods of a non-fiscal character for the purpose of meeting this vital need as circumstances seem to require.

The remark interjected by the minister a few moments ago induces me to appeal to him to give further consideration to this question. I am not asking for further tariff assistance. That is not necessary. I am persuaded that some other method can be adopted which will enable the minister to arrive at the goal at which his predecessor aimed. Before the budget was brought down, representatives of the fruit and vegetable industry had an opportunity of meeting the minister and discussing with him their problem, namely, that they want the Canadian market at their disposal when their produce is ready. In the course of the amiable discussion which took place on that occasion this matter of the ten per cent duty was raised, and the minister was told by the industry that in their opinion it would be absolutely unsuccessful in achieving its purpose. Other methods were discussed. However, the budget came down and it contains this provision. Now we have presented evidence to the minister showing that in the two weeks immediately after the imposition of this tax we had in one market in Canada a glut of this useless stuff, which had the effect of making it more difficult for Canadian producers to sell their products. I ask the minister to give his best attention to the finding of some other method which will accomplish the end he has in view.

Mr. HANSON (York-Sunbury): I desire to make a few observations, and I promise the minister I will not delay the matter beyond six o'clock. First of all, let me ask him why it is that the bills based on the Income War Tax Act and the Excess Profits Tax Act resolutions, all of which I believe were passed last week, have not yet been introduced. In my opinion those bills should have been

introduced and read the first time at the conclusion of the discussion on the resolutions, when we concurred in them. I hope there will be no further delay, because so far as I am concerned I just cannot burden myself with a multiplicity of these measures at once. It is not fair to the private members, and certainly it is not fair to me, that we should have these measures dumped on us *en gros*. I trust the minister will bear that in mind.

To some of those who have been talking this afternoon about Liberal doctrine, its practice and its performance, I would say that they must not be surprised at anything that may happen. The profession of Liberal doctrine when that party is in opposition, and its application when that party comes into power, are two different things, especially when the doctrine of expediency makes it necessary, upon taking office, to discard Liberal doctrine. If hon. members do not believe me I would suggest that they go back and read what Mr. Fielding said as long ago as 1922 or 1923, right in this House of Commons.

I believe the minister said in another place this morning that this resolution has to go through in the form in which it has been introduced, plus such amendments as he—and he alone—may introduce on the floor of the house. Whatever I have to say is based on the theory that the government is adamant in refusing to make any changes with respect to policy, as embraced by this resolution.

Mr. ILSLEY: To what "other place" is the hon. member referring?

Mr. HANSON (York-Sunbury): I understand that is what was laid down in caucus this morning. I was not there, but I understand that happened. We can just let that pass, and not waste any time upon it, if the minister wishes to have the resolution passed.

Mr. ILSLEY: My hon. friend should not make those statements, because I can neither affirm nor deny them.

Mr. MACKENZIE (Vancouver Centre): That did not happen.

Mr. HANSON (York-Sunbury): I was not there, and I am not in a position to contradict. I am making that observation, but I shall change it to this, that from the attitude the minister has disclosed in the house we are to understand that the resolutions as proposed by the government are to go through as they are, save and except with respect to such amendments as he may propose. I think there cannot be great exception to that statement.

Mr. ILSLEY: That is in accordance with the facts.

Mr. HANSON (York-Sunbury): I regret that, because there are reasons why that rigidity of purpose, if I may use that expression, should not be adhered to.

Mr. ILSLEY: There has been no rigidity. I have complied with the wishes of the committee in at least two respects.

Mr. HANSON (York-Sunbury): Has the minister?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): I do not so understand it. The minister did not comply with the plea of the hon. member for Qu'Appelle.

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): It was ruled out of order to-day, after a hurried call to the chiefs of the clan. It was an amendment designed to lift the burden on agriculture, and especially that on western agriculture.

Mr. ILSLEY: Was it in order?

Mr. HANSON (York-Sunbury): I think it was. But it was ruled out of order on motion of the chair. And if the chair had not ruled it out of order I suggest the minister, or some of his colleagues, or some of his followers would have risen in their places and ruled it out of order.

Mr. ILSLEY: The argument that it was in order was pitiable.

Mr. HANSON (York-Sunbury): I did not get a chance to argue the matter, and I resent the use of the term "pitiable".

Mr. ILSLEY: Perfectly proper.

Mr. HANSON (York-Sunbury): I resent the use of the term "pitiable", and if the minister wishes to get this resolution through to-night he will have to withdraw that term.

Mr. ILSLEY: I will not withdraw that term.

An hon. MEMBER: Threat.

Mr. HANSON (York-Sunbury): That is all right; it may be a threat; but from this seat I have treated the minister with the utmost respect, consideration and courtesy, and I say the word "pitiable" is not courteous and is not in keeping with the attitude I have adopted toward the ministry. I will admit the argument was weak; I did not get a chance to make any argument, and I do not blame the chairman. But I did observe in a mild way that I thought, before making his ruling, he might have asked for some dis-

cussion. However he did not do that. I did not pursue the matter, because I know there will be another opportunity.

The government has taken the attitude that this resolution must go through in the form presented by the minister, with such amendments as he himself may suggest. It was, however, for the purpose of discussing the amendment to resolution No. 5 that I rose to make some observations. In subsection 3 of resolution 5 this provision is made:

Where the war-time prices and trade board reports to the governor in council that any producer or producers of goods have taken advantage of the tax imposed by this section to increase the price of such goods by an amount greater than is justified by any increases properly arising from such tax in the cost of materials or parts entering into the production of such goods or to maintain prices of such goods at levels greater than are so justified, the governor in council may—

Do thus and so. In the proposed amendment the minister goes a good deal farther. I wonder if he realizes that we have here an amendment of, I believe, twenty-five lines, in which there is only one sentence. I have had a good deal of difficulty in understanding just what it means, although I have tried to analyse it. Instead of starting in on the assumption that the war-time prices board will make a report there is the prohibition that:

No person shall take advantage of the tax imposed by this section to increase the price of goods by an amount greater than is justified by any increase in cost properly arising from such tax, or to maintain prices at levels higher than are so justified—

And so on.

In that paragraph we find a prohibition and the statement of a position which does not in principle differ from the original proposal. Then the amendment goes on to say:

—and, where the war-time prices and trade board reports to the governor in council that, in its opinion, any person has so taken advantage, the governor in council may, upon the recommendation of the said board, for such period of time as he may determine—

Do certain things of a drastic character. Included is the imposition of an excise tax, as was suggested in the original resolution. In the Customs Tariff there is one weapon which will be just as effective as this elaborate machinery which the minister is about to set up. All he has to do is to take off this imposition, and the thing will end then and there. That is what Mr. Bennett did in 1930 in connection with the Hamilton glass company, and everybody knows how effective that was.

I might have elaborated and analyzed it further, but one word more and I am done. Let there be no mistake about it. This measure will not be effective in keeping out United States production. It never was so designed because, after all, the former Minister of Finance said that one of the reasons for it was to protect the exchange position. When by a tax of ten per cent imposed on United States imports you hope to realize $65,000,000 in revenue, as the former minister of finance stated at page 1021 of *Hansard*, you are not going to help the exchange position very much. What you are doing is raising more money for war effort, and if this is one of the methods the minister chooses to adopt for that purpose I am content. I think that we can well impose a tax on United States importations, but if he wanted to help the exchange position I should think that he would have adopted another course altogether, a course which he himself indicated and which the minister (Mr. Ilsley) has incidentally referred to as being necessary perhaps to adopt later. If the first and primary object of this legislation was to help the exchange position, then I suggest that the minister has got the cart before the horse. He should first have put on his restrictions against all luxury importations. He should have done that first, and not second. As a matter of fact the whole thing is designed to help the revenues, and the people of Canada are going to pay it.

Amendment (Mr. Gibson) agreed to.

Resolution as amended agreed to.

Mr. HANSON (York-Sunbury): What about the bill?

Mr. ILSLEY: With regard to the bills, I am in a position to introduce the Income War Tax Act amendment bill if the committee will first put through a resolution of which I sent a copy to the hon. gentleman the other night. I have not yet had an opportunity of moving it.

Mr. HANSON (York-Sunbury): The minister will have to explain it to the house. My colleague (Mr. Stirling) suggests that it might lead to some discussion, and perhaps we had better leave it until to-morrow.

Mr. ILSLEY: I think so. With regard to the excess profits tax, I have still an amendment to discuss to-night with the officials, so that perhaps we had better report progress.

Mr. HANSON (York-Sunbury): I quite agree.

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): It is the intention of the committee, I understand, that I report the whole resolution regarding the Special War Revenue Act? Carried.

Mr. HANSON (York-Sunbury): If the amendment to the new subsection 3 is not on

Hansard I suggest that it should be. Many members have asked me about it. They do not know anything about its provisions.

Mr. ILSLEY: I gave an advance copy to my hon. friend.

The text of the resolution with the proposed amendment will be found at page 1692 of *Hansard*.

Mr. HANSON (York-Sunbury): Has resolution 5 been carried as amended?

Mr. ILSLEY: Yes. Resolution 5 is an amendment to the Special War Revenue Act, but I was speaking a moment ago of a resolution relating to an amendment to the Income War Tax Act. The Income War Tax Act resolutions were all passed by the house, and I shall have to go back to them and move the resolution to which I have referred. I am prepared to do what is necessary to have it appear on *Hansard;* perhaps I should get my colleague to move it.

Mr. MACKENZIE (Vancouver Centre): I move:

That it is expedient to amend the Income War Tax Act and to provide that if any tax, licence or other impost, otherwise deductible under the said act is imposed or increased after June 24, 1940, by or under the authority of a provincial statute, the amount of any such tax, licence or impost imposed and the amount of the increase of any such tax, licence or other impost shall not be allowed as a deduction from the income of any taxpayer except to the extent permitted by the Minister of National Revenue.

Motion stands.

Progress reported.

At six o'clock the house adjourned, without question put, pursuant to standing order.

Thursday, July 18, 1940

The house met at three o'clock.

REPORTS OF COMMITTEES

BANKING AND COMMERCE—PRINTING OF PARLIAMENT

Third report of standing committee on banking and commerce.—Mr. Moore.

First report of the joint committee of both houses of parliament on printing.—Mr. Dupuis.

L. W. BROCKINGTON

DUTIES AS RECORDER OF CANADA'S WAR EFFORT AND COUNSELLOR TO WAR COMMITTEE OF CABINET

On the order for motions:

Hon. R. B. HANSON (Leader of the Opposition): Yesterday the Prime Minister (Mr. Mackenzie King) tabled a reply to a question asked by the hon. member for Gaspe (Mr. Roy). The first part of the question was:

Has the government appointed any person to write the history of our participation in the present war, and, if so, who was appointed

The answer was, "No," and the rest of the question was answered in the same sense. The answer is literally correct, I think, but in a practical sense I do not think it is correct; and I believe it is due to the house and the country that the Prime Minister should make some explanation as to just what the true position is.

I hold in my hand a copy of a press release issued when the Prime Minister made the announcement some months ago. It describes as follows the duties of the gentleman to whom it refers:

To act in an advisory capacity to the war committee of the cabinet in the recording and interpretation of Canada's war effort; to advise and assist the government in providing accurate and essential information in these respects to the people of Canada and to the government of the United Kingdom, and to assist the Prime Minister by keeping a chronicle and other essential records of the progress of Canada's war effort.

The press report concludes:

In this capacity, Mr. Brockington will be designated, recorder of Canada's war effort and counsellor (in the above respects) to the war committee of the cabinet. He will be attached to the Prime Minister's office.

The essentials of the press release are incorporated in the order in council P.C. 4284 passed on the 21st December last, with respect to this appointment.

Now, the question related to the appointment of a person "to write the history of our participation in the present war". The exact duties as defined in the order in council are, "as a recorder and interpreter of Canada's war effort". They mean very much the same thing, and it does seem to me that the answer is somewhat misleading; I do not wish to put a worse interpretation upon it than that. Perhaps the Prime Minister did not give the question any personal consideration. I am not going to attribute any ulterior motives, but I think it ought to be made clear, on a fair interpretation of the order in council, the press release, and the duties to which I understand the gentleman referred to is engaged in, that he is in fact if not in name the historian of Canada's war effort.

Right Hon. W. L. MACKENZIE KING (Prime Minister): I had no intention whatever of misleading the house in any way.

Mr. HANSON (York-Sunbury): I have not suggested that.

Mr. MACKENZIE KING: As a matter of fact, no one has been appointed as historian of the war. After the last war Colonel Duguid was appointed to write a history of the war and I believe as historian he has thus far published two volumes. Mr. Brockington was certainly never appointed as historian of the war. He was appointed, among other duties, to keep a record of, and to help to chronicle, matters pertaining to the war, which is one of the functions he is performing at the present time.

As my hon. friend must know, events bearing upon the war are taking place in all parts of the world which have an important relation one to the other. There is a part of the general war effort of the United Kingdom and the dominions which concerns Europe, a part that concerns Asia, Africa and other continents. The Prime Minister cannot possibly be expected to keep himself posted day by day upon significant features of the war unless there is in his office someone specially charged with the duty of assembling material bearing upon the war and perusing as well as keeping records that are issued from time to time by different governments and from other sources. Since the war started recorded proceedings have been published by different countries setting forth their interpretation of various positions, state documents and the like, all of which material is being collected and in different ways utilized under the responsibility of Mr. Brockington. From time to time, as I have occasion to speak upon these matters, or to consult with my colleagues individually respecting them, or to discuss them in the cabinet, Mr. Brockington brings to my attention essential features which in his opinion the Prime Minister should have a knowledge of. That is the nature of the work which it was intended that he should perform in relation to the chronicling of the war effort.

It was not the purpose that Mr. Brockington should be an historian. I believe it will be found at the close of the war that there will have been assembled in the Prime Minister's office a complete set of documents having an immediate bearing upon the situation as it has developed from day to day and as it is developing from month to month and may develop from year to year. Had there not been someone specially charged with that duty we might find ourselves at the close of this war without any of these official records, so necessary in the present, and so essential for reference in the future.

I have occasion almost every day to make perfectly sure of some fact upon which I am expected to express an opinion publicly, or to take up for consideration with my colleagues, and I cannot possibly go and search my own files to discover relevant documents. I must necessarily appeal to someone who is watching the progress of events from day to day. Mr. Brockington's duties lie, in part, in that field, but that is only a part of his duties.

As my hon. friend must know, in a time of war when events are such as they are to-day, all sorts of unforeseen communications come into the Prime Minister's office which must be dealt with in a more or less exceptional and very careful manner. It would take me too long to enumerate them, but I might point out, by way of illustration, events such as occurred when Holland was invaded, Belgium surrendered and France collapsed. Public reference had to be made almost instantly to the significance of these events. Communications had to be sent by the Prime Minister to representatives of those countries here and abroad. I must take time to outline what I believe ought to be said in these and other circumstances requiring some expression of sympathy of views, to indicate to my staff the tenor of communications that should be drafted in the circumstances. But I have not the time from day to day to sit down and personally draft these particular communications.

From day to day we receive from various sources generous gifts of money, other gifts of one kind or another, from different organizations. The country will expect that where people are voluntarily making contributions to our war effort contributions of the kind should be acknowledged with something more than a mere line from a private secretary or some member of a departmental staff. They should if possible receive a letter from the Prime Minister himself. Mr. Brockington has an exceptional gift in his facility of expression, and I had felt, at the time I asked him whether he would assist me in the other matters to which I have referred, that he might help in the drafting of communications of this kind. Again, in the preparation of statements for this house, and statements to be given to the public over the radio and elsewhere, he has given me very real assistance. Let me say, however, that so far as any speeches that I have made are concerned, any public pronouncements or radio broadcasts that I have given, they have been my own. I have been assisted in the work; but I would ask any hon. gentlemen here who have had experience in matters of this kind, whether they ever found it possible to have someone else write a broadcast for them. Especially would I ask this of one who happens to be in a position of responsibility such as I hold at the present time.

While I am on this subject I might say a word which may help hon. members to understand the position in the Prime Minister's office as contrasted with other departments of government. When ministers of the crown take over different departments they go to departments that are fully organized, with deputy ministers, secretaries of the department, clerks, staffs, and every arrangement made which it is possible to make in order to facilitate the work of those departments. On the other hand, when the Prime Minister goes into his office he walks into an empty office except for one or two secretaries who may have come in with him; and from time to time, as the situation changes, there comes upon him a volume of additional demands for which no preparation whatever has been previously made. In other departments it is easy to add to the staff here and there as fresh demands arise. For example, large staffs have been added to the Department of National Defence and to the Department of Munitions and Supply to assist in meeting the demands war has created. In my own office, as Prime Minister I have had to assist me in meeting new situations from day to day since this session began, only Mr. Brockington in addition to one or two other younger men whom I have been able to borrow from some of the other departments. He is the only person who has been given a special retainer in connection with the Prime Minister's office, and this not merely because he is doing some highly specialized work requiring wide knowledge of men and affairs, but because of the exceptional judgment and ability which he possesses.

So far as Mr. Brockington's services are concerned they are not confined to myself. He has generously shared his abilities with my colleagues in the cabinet in connection with many matters to which they have been obliged to give their attention. There is not a day passes when there does not arise some question which calls for careful and thoughtful consideration before the Prime Minister is in a position even to discuss it with his colleagues. In matters of the kind it is absolutely necessary that I should have someone in the capacity of a counsellor attached to my office. Mr. Brockington is one of the leading counsel in Canada. He has had large retainers and he has accepted the position which he now holds in my office at great personal and financial sacrifice. Through myself and the government, in the advice and counsel which he has given to me personally and to the cabinet touching a hundred and one different matters that have come up, he has rendered this country an exceptional service.

I could say a good deal more, but perhaps I have said enough to indicate that at least there is some justification for the Prime Minister having at his side, at a time like the present, a gentleman with wide experience in affairs, an able counsellor, one who is largely informed on public matters, and who because of his special attainments is in a position to be able to render an absolutely essential service to the office of prime minister and to the country in the present state of world affairs.

Mr. HANSON (York-Sunbury): I made no attack on Mr. Brockington. I made no attack on the Prime Minister, or anything in the nature of an attack, with respect to the matters to which he has alluded. All I rose to do was to call attention to what I considered was an inaccurate reply to a question on the order paper.

Mr. MACKENZIE KING: I hope I have made it plain that the reply was not inaccurate.

Mr. HANSON (York-Sunbury): I do not think the right hon. gentleman referred to the gravamen of the question at all. In my judgment he entirely disregarded it.

Mr. MACKENZIE KING: Mr. Brockington's name was not mentioned on the question at all. I did not assume it had reference to Mr. Brockington; I assumed it had reference to some appointment similar to the appointment made by a former government in the last war, of someone to write a history of the war. It is true that my hon. friend has said nothing in the way of an attack to-day, but he has brought Mr. Brockington's name up on one or two previous occasions. He has been kind enough to say to me that he did not mean anything he said as any attack on Mr. Brockington; quite clearly then he meant what he said as a reflection on myself. At any rate I have taken it as such, and I am replying to what he said in a way which I think will justify before the country the position in which I have been placed.

In addition I would point out that while my hon. friend has been reflecting upon me in the house in this matter, some of his supporting journals on the outside have been making their attack from an opposite point of view; they have been saying it was part of my business to stand up and defend Mr. Brockington. My hon. friend said he was not attacking Mr. Brockington, so that no defence of him was needed; yet by his press on the outside I am being attacked on the score that I have attached to my office a gentleman who is being attacked and I am not defending him.

So far as Mr. Brockington is concerned, I think his abilities speak for themselves, I do not think he needs any defence. So far as I

am concerned I am prepared to abide by such attack as has been made and the explanation I have given.

DEBTS DUE THE CROWN

DEDUCTION FROM SALARIES OF FEDERAL EMPLOYEES RESIDENT IN PROVINCES OF PROVINCIAL TAXES COLLECTABLE BY DOMINION

Hon. J. L. ILSLEY (Minister of Finance) moved for leave to introduce Bill No. 99, to amend an act respecting debts due to the crown.

He said: The dominion government has agreements with some of the provinces under which the dominion government collects income tax and similar taxes imposed by a province. The purpose of this bill is to enable the crown in the right of Canada to deduct from the salaries of federal employees resident in these provinces the amount of the provincial taxes which it is the duty of the dominion government to collect under these agreements.

Motion agreed to and bill read the first time.

QUESTIONS

(Questions answered orally are indicated by an asterisk).

CANADIAN NATIONAL RAILWAYS—LINES ABANDONED

Mr. ROY:

How many miles of railway line of the National Railways system were abandoned from 1929 to date (a) in British Columbia, (b) in the prairie provinces, (c) in Ontario, (d) in Quebec, (e) in the maritime provinces?

Mr. CARDIN: (a) In British Columbia, 16; (b) in the prairie provinces, 58; (c) in Ontario, 350; (d) in Quebec, 187; (e) in the maritime provinces, 40; a total of 652.

*BRITISH CHILDREN

Mr. BRUCE:

Has the minister set up the dominion-wide organization to facilitate the extension of hospitality by Canada to British children for the duration of the war, to which he referred on June 27th last?

Mr. CRERAR: Substantial progress has been made in the matter to which this question refers. It is still receiving consideration.

QUESTIONS PASSED AS ORDERS FOR RETURNS

SALE OF STEAMSHIP PRINCE HENRY

Mr. DIEFENBAKER:

1. When did the government sell the ship *Prince Henry*?
2. Was sale made by tender?

[Mr. Mackenzie King.]

3. What other offers for the purchase thereof were received?
4. What was the sale price and terms, if any?
5. Has the purchase price been paid? If not, what portion remains unpaid?

Mr. CARDIN: Return tabled.

ALIENS NATURALIZED SINCE 1936 AND INTERNED

Mr. ROY:

1. How many aliens were naturalized in Canada from 1936 to date?
2. How many aliens, naturalized in Canada since 1936, have been interned since the beginning of the war?

ASSOCIATIONS OR SOCIETIES DECLARED ILLEGAL

Mr. ROY:

1. What associations or societies have been outlawed since the beginning of the war?
2. On or about what dates were such associations or societies organized in Canada?
3. What is the approximate membership of each?

Mr. CASGRAIN: Return tabled.

HUDSON BAY RAILWAY

Mr. ROY:

1. What has been the cost to date of the construction of the Hudson bay railway and equipment at Churchill?
2. How long has the railway been in operation?
3. What have been the receipts, and expenses, each year, as well as the annual deficit?
4. What was the annual volume of exports from Churchill during the past five years?

EXEMPTIONS FROM MILITARY SERVICE

Mr. CHURCH:

1. What classes are exempted from any form of military duty in Canada (a) under the Militia Act, (b) from overseas service, (c) home defence duties?
2. What percentage of Canada's population are exempt from military duty under (a), (b) and (c) above?

EXPERIMENTAL FARMS—SALES OF PURE BRED DAIRY ANIMALS

Mr. BROOKS:

What is the number of pure bred dairy animals, male and female, breed, and the price of each, sold by the dominion experimental farms to individual farmers from 1935 to 1939 (a) in the maritimes, (b) Quebec, (c) Ontario?

DOMINION-PROVINCIAL RELATIONS COMMISSION—SECRETARIAL STAFF

Mr. ROY:

1. Who were the members of the secretarial staff of the dominion-provincial relations commission?
2. What was the remuneration of each?
3. Were they paid any living and travelling allowances?
4. If so, what amount was received by each member of the secretarial staff under each of these headings?

BUSINESS OF THE HOUSE

QUESTION OF PROCEEDING WITH SECOND READING OF UNEMPLOYMENT INSURANCE BILL

On the orders of the day:

Right Hon. W. L. MACKENZIE KING (Prime Minister): I understand my hon. friend the leader of the opposition (Mr. Hanson) does not wish to proceed with the second reading of the unemployment insurance measure to-day.

Hon. R. B. HANSON (Leader of the Opposition): That is correct. I have striven vainly to understand the principles and details of this bill. Under ordinary circumstances counsel would take at least three days to brief this bill: I have had about four hours. I protest against any attempt to rush this bill through the house without adequate time for study, even before it comes to second reading. The bill, apart from any war measures that we have put through parliament, is the most important measure that I can recall for years, since the act of 1930 at any rate. It involves the annual expenditure of millions upon millions of dollars. There should be no rush to push it through the House of Commons, even if it is to be sent to a special committee.

Mr. MACKENZIE KING: As I said yesterday, the government have no desire to rush the bill at all. Our desire is simply to expedite the business of the session as far as we can.

Mr. HANSON (York-Sunbury): I am prepared to stay.

Mr. MACKENZIE KING: In view of the remarks of my hon. friend a few minutes ago, perhaps he would not regard me as out of order if I say that he may now appreciate the better why I need to have at my side someone of the quality of Mr. Brockington to help me digest the essence of important documents which come to my office continuously and on which I am not infrequently called upon to express an opinion inside of a few hours.

Mr. HANSON (York-Sunbury): That observation may serve to give me an opportunity to wonder whether the country would provide me with a $9,000 a year counsel to help me examine these bills. However, I am not going to ask for it; I think the country can ill afford it.

Mr. MACKENZIE KING: If this country begrudges the best of counsel and advice to the Prime Minister in a time of war, it is a very different country from Canada as I know it.

Mr. M. J. COLDWELL (Rosetown-Biggar): I suggest to the Prime Minister that we be given a little more time to look over this bill. I do not believe that the reference to the committee is the course that ought to be taken. I want to see the measure go through this session, but every hon. member ought to have an opportunity to examine with care this very long bill, consisting of thirty-six pages, which we have only just received. I was on a committee all the morning and have not even had time to read it. I am afraid that if it goes to a committee it will be unduly delayed, and I should like to see the house discuss it without sending it to a committee.

Mr. MACKENZIE KING: In agreeing to have the bill sent to a special committee after the second reading I was seeking to oblige the leader of the opposition, who made the suggestion, and I propose to hold to the arrangement made. I have sought to expedite the step, since it has already been made abundantly clear that all parties in the house are agreed upon the principle of the bill. If my hon. friend feels that to take second reading to-morrow would not give him sufficient time to examine the bill, I am prepared to hold it until Monday. But I very much hope he may be ready to-morrow.

MUNITIONS AND SUPPLY

MONTHLY LIST OF CONTRACTS AWARDED—RECORD FOR MAY AND JUNE

On the orders of the day:

Mr. J. H. HARRIS (Danforth): I should like to ask the Minister of Munitions and Supply (Mr. Howe) whether the record of contracts awarded in May, 1940, is in print, and also the record for June, 1940, and when we may expect to receive copies.

Hon. C. D. HOWE (Minister of Munitions and Supply): The department has a staff continuously engaged in compiling the information desired by my hon. friend. Each month the volume gets a little larger and the staff gets a little behind, but I shall do what I can to expedite the publication of the two volumes mentioned.

INFORMATION GIVEN IN PRESS RELEASES WITH RESPECT TO CONTRACTS

On the orders of the day:

Mr. KARL HOMUTH (Waterloo South): Some time ago I spoke to the minister and asked that when these releases were given out the number of units should be mentioned. The minister said he would give consideration to the request, but so far that has not been

done. In these lists we see the total sum but no number of units, and if we could get that it would give us a great deal more information.

Mr. HOWE: I passed on the request to the officers in charge of that work. Probably that did not appear in the April issue because the work on that issue was too far advanced at the time, but the request has been sent on to the proper officers.

MINE WORKERS

SUGGESTED DELAY IN RECRUITING PENDING NATIONAL REGISTRATION AND FORMATION OF PIONEER CORPS

On the orders of the day:

Mr. A. R. ADAMSON (York West): I should like to direct a question to the Minister of National Defence (Mr. Ralston). In view of the probable shortage of skilled mine workers will the minister consider: first, asking the recruiting officers not to accept mine workers until the national registration scheme is completed and we have taken stock of our man-power resources; second, the formation of a special pioneer corps of miners who would be trained together so that their specialized knowledge of rock explosives and demolition work would be used to the best advantage?

Mr. SPEAKER: The other day I gave a ruling with regard to the asking of questions on the orders of the day. These questions might well go on the order paper.

NAVAL SERVICE ACT

PROVISION TO MAKE CIVILIANS SERVING IN SHIPS SUBJECT TO NAVAL DISCIPLINE—CONCURRENCE IN SENATE AMENDMENTS

Hon. J. L. RALSTON (Minister of National Defence) moved the second reading of and concurrence in amendments made by the senate to Bill No. 2, to amend the Naval Service Act.

Hon. R. B. HANSON (Leader of the Opposition): What are these amendments?

Mr. RALSTON: Hon. members will remember that this amendment to the Naval Service Act provided that agreements might be made with civilians to serve his majesty in particular ships. This had to do with people such as radio operators, stewards and others on merchants ships which have been converted into armed merchant cruisers. I would say the senate amendments have the effect of making it clear that the persons with whom these agreements are made do not thereby become members of the naval forces. Provision is made for entering into an agreement with these persons, and the amendment provides that as long as the engagement remains in force, notwithstanding the fact that for the time being the person may not be serving in any ship, he is subject to the act. They except sections 38 and 39, which provide certain compensation in cases of injury and illness. So far as the department is concerned there is no objection to the amendments.

Motion agreed to; amendments read the second time and concurred in.

MUNITIONS AND SUPPLY

AMENDMENT TO CLARIFY AND EXTEND POWERS OF MINISTER—CONCURRENCE IN SENATE AMENDMENTS

Hon. C. D. HOWE (Minister of Munitions and Supply) moved the second reading of and concurrence in amendments made by the senate to Bill No. 41, to amend the Department of Munitions and Supply Act.

He said: These are minor amendments making slight changes in the wording, inserting or deleting a comma, an adjective or a conjunction, and so on. They have been examined by my officers, who advise me that they make no difference to the meaning and intent of the bill.

Hon. R. B. HANSON (Leader of the Opposition): There is a whole paragraph struck out of section 2 on page 2. I notice the minor changes to which the minister has alluded, and this seems to be the only major change. What is the effect of it?

Mr. HOWE: The paragraph in question provided that the employees of the department would have a certain standing in the eligible lists of the civil service commission. When the bill was in committee I told the house that this provision had been approved by the commission. This was the representation made to me by my officers, but subsequently it developed that this was not entirely correct. It was also drawn to my attention that there were other war service boards for whose employees similar provision should be made if it were to be made for the temporary employees of the Department of Munitions and Supply. I therefore decided that the proper course was to defer consideration of the matter until later in the war, and at my request the senate deleted that provision.

Mr. HANSON (York-Sunbury): It was done at the minister's request?

Mr. HOWE: Yes.

Motion agreed to; amendments read the second time and concurred in.

CIVIL SERVICE SUPERANNUATION

ORDER IN COUNCIL OF AUGUST 11, 1939, TO HAVE FORCE AND EFFECT OF STATUTE—CONCURRENCE IN SENATE AMENDMENT

Hon. C. W. G. GIBSON (Minister of National Revenue) moved the second reading of and concurrence in an amendment made by the senate to Bill No. 28, to amend the Civil Service Superannuation Act, 1924.

Hon. R. B. HANSON (Leader of the Opposition): Would the minister explain this amendment?

Mr. GIBSON: There is no change in the wording; it is just a change in the formation of the act.

Mr. HANSON (York-Sunbury): With all due deference to the minister, that is hardly an explanation. What is the change in the formation of the act? I see there is just one minor change, but I invite the minister to tell the house what it is. Many hon. members have not this amendment before them.

Mr. GIBSON: The amendment simply numbers the section differently. That is the only change. There is no change in the intent of the amendment we brought in.

Motion agreed to; amendment read the second time and concurred in.

DAIRYING INDUSTRY

GRANTS FOR INSULATING, ENLARGING, REFRIGERATING AND EQUIPMENT OF CHEESE FACTORIES

Hon. J. G. GARDINER (Minister of Agriculture) moved the second reading of Bill No. 89, to amend the Cheese and Cheese Factory Improvement Act.

He said: As I said in moving first reading, this is an amendment to make possible the payment of the subsidy in connection with the improvement of cheese factories, by the payment of fifty per cent of the cost of the insulation alone.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Vien in the chair.

On section 1—Condition of grant.

Mr. TUSTIN: Has not work been done under the existing act along the lines suggested in this measure?

Mr. GARDINER: Yes. As I said when the bill was given first reading, during the season the Department of Justice gave us an opinion that under the wording of the act it was intended payments of this kind could be made. Only within the last week or two some question has been raised as to whether or not the meaning is clear, and the Department of Justice has advised this change.

Section agreed to.

Section 2 agreed to.

Bill reported.

WAYS AND MEANS

SPECIAL WAR REVENUE ACT

The house in committee of ways and means, Mr. Vien in the chair.

The CHAIRMAN: Resolution No. 5, as amended. Shall the resolution as amended carry? Carried.

Mr. HANSON (York-Sunbury): Mr. Chairman, I do protest. I have no doubt you are the most efficient chairman of the committee of the whole we have ever had, but your chief deficiency, may I say is in the direction of speed.

The CHAIRMAN: Patience?

Mr. HANSON (York-Sunbury): Well, I think I did admonish the chairman in a private note I sent him the other day, suggesting he should be more patient. I must say the way legislation has been railroaded through the house is not conducive to a clear understanding of what it is all about. If we were passing divorce bills there might be some excuse for it, but I do not think we ought to apply to the passage of ordinary legislation the same principle that we apply to the passage of divorce bills.

Last night just before the adjournment the minister gave notice; an amendment was moved, and read into the record. Was it with respect to the resolution now before the committee?

Mr. ILSLEY: I understood that resolution No. 5 was carried last night.

Mr. HANSON (York-Sunbury): I thought so too.

Mr. ILSLEY: Yes, it was carried last night. After that I proceeded to propose an amendment to the resolutions relating to the Income War Tax Act. I then moved that the committee rise, report progress and ask leave to sit again.

Mr. MacNICOL: Was the amendment not to be put on *Hansard*?

The CHAIRMAN: I was not in the chair last night when the committee adjourned, and that is why I did not know about it. However, I should like to say with respect to the statement of the leader of the opposition regarding railroading—

Mr. HANSON (York-Sunbury): I withdraw that.

The CHAIRMAN: I am sure the hon. member did not mean that.

Mr. HANSON (York-Sunbury): I should not have used that word.

The CHAIRMAN: I am quite satisfied to give every hon. member every possible chance to say what he wishes to say. I take it, however, that all hon. members are alert in respect to the business of the committee, and when the question is put, "shall the section carry" and nobody rises, I consider it my duty to expedite the work of the committee and, if no one objects, to state that the resolution has been carried. As suggested by the leader of the opposition to-day, and in his note, I shall be very patient; on the other hand every hon. member will appreciate that it is my duty to expedite the work of the committee, and I take it that all hon. members, including those of the opposition, will be on the alert and will cooperate to dispose expeditiously of the business of the committee.

I note in the scroll of yesterday that resolution No. 5 was carried; therefore I shall take up the other resolutions.

Mr. HANSON (York-Sunbury): May I ask the minister if the bills are now ready?

Mr. ILSLEY: Yes, they are now ready.

Mr. HANSON (York-Sunbury): Then I suggest they should be introduced right away.

Mr. ILSLEY: Yes.

The CHAIRMAN: I am informed by the clerk that last night, just before the committee rose, the Minister of Pensions and National Health moved, for the Minister of Finance, an amendment to the Income War Tax Act. Am I correct in that understanding?

Mr. ILSLEY: Yes.

The CHAIRMAN: I gather that the amendment so moved is an additional amendment to the budget resolution concerning the Income War Tax Act. But these resolutions have been passed, and we are now on the resolutions concerning the Special War Revenue Act.

Mr. ILSLEY: Yes.

The CHAIRMAN: Therefore we should revert to the Income War Tax Act.

Mr. HANSON (York-Sunbury): That is agreeable.

Mr. ILSLEY: Yes, we will do that.

INCOME WAR TAX ACT

The CHAIRMAN: The business before the committee is the following motion made yesterday for the Minister of Finance by the Minister of Pensions and National Health:

[The Chairman.]

That it is expedient to amend the Income War Tax Act and to provide that if any tax, licence or other impost, otherwise deductible under the said act is imposed or increased after June 24, 1940, by or under the authority of a provincial statute, the amount of any such tax, licence or impost imposed and the amount of the increase of any such tax, licence or other impost shall not be allowed as a deduction from the income of any taxpayer except to the extent permitted by the Minister of National Revenue.

Mr. HANSON (York-Sunbury): This is a special resolution, Mr. Chairman, and I suggest that the minister should make an explanation to the committee.

Mr. ILSLEY: I shall do that. Of course the provinces have the right to impose taxation within the powers conferred upon them by the British North America Act. But it would be within the powers of any province to go very far towards nullifying the effects of the Excess Profits Tax Act by, if they so wished, imposing special exceptional taxes.

It will be understood that it would be presumptuous on the part of the dominion government to take power to interfere with the normal exercise of the power of taxation of the provinces, but it is felt there should be a power in the Minister of National Revenue or in some other minister not to allow special exceptional provincial taxes as deductions from income, where that would nullify or go a considerable distance toward nullifying the effect of the very important taxation being imposed for war purposes. That is the reason for the resolution.

Mr. HANSON (York-Sunbury): The minister has stated in a general way the purpose of this resolution, and I am largely in agreement with what he has said. Has he given any consideration to the question of making no allowance in the case of a special tax imposed by a province on a small class of taxpayers purely for the purposes of revenue, in the hope that it might prove a deterrent against this form of taxation on the part of provincial taxing authorities?

This leaves it in the discretion of the minister.

Mr. ILSLEY: I should not like to interfere to that extent.

Resolution agreed to.

SPECIAL WAR REVENUE ACT

8. That schedule I to the said act be further amended by adding at the end thereof the following section:

"5. Cameras, phonographs, radios and radio tubes, 10 per cent."

Resolution agreed to.

9. That schedule II to the said act be amended by repealing section one thereof and substituting therefor the following:

"Cigars:

(a) valued at not more than forty dollars per thousand, per thousand, $1.

(b) valued at more than forty dollars per thousand and not more than one hundred and ten dollars per thousand, per thousand, $6.

(c) valued at more than one hundred and ten dollars per thousand and not more than one hundred and fifty dollars per thousand, per thousand, $14.

(d) valued at more than one hundred and fifty dollars per thousand and not more than two hundred dollars per thousand, per thousand, $20.

(e) valued at more than two hundred dollars per thousand, per thousand, $32.

Provided that the value on imported cigars shall be the duty paid value as defined in section seventy-nine of this act; the value on cigars manufactured in Canada shall include the amount of excise duty payable thereon."

Mr. HANSON (York-Sunbury): The only remark I have to make is that this is the end of the good five cent cigar.

Resolution agreed to.

10. That schedule II to the said act be further amended by repealing section three thereof, and substituting therefor the following:

"Tires and tubes:

(a) Tires in whole or in part of rubber for automotive vehicles of all kinds, including trailers or other wheeled attachments used in connection with any of the said vehicles, 5 cents per pound;

(b) Inner tubes for use in any such tires, 5 cents per pound;

Provided the tax hereby imposed shall not apply to the goods mentioned herein when used exclusively for the original equipment of such automotive vehicles."

Mr. HANSON (York-Sunbury): What is the increase here?

Mr. ILSLEY: The present tax on tires is two cents per pound and three cents per pound on inner tubes; this resolution proposes to raise both rates to five cents per pound. It will be observed that the tax will not apply to tires which constitute original equipment on new cars.

Mr. EVANS: Will it apply to tractor tires?

Mr. ILSLEY: Yes.

Mr. CASTLEDEN: Why should there be discrimination between original equipment and equipment required for repairs?

Mr. ILSLEY: As original equipment it is part of a motor vehicle upon which extraordinary taxes have been imposed.

Mr. CASTLEDEN: That would be under resolution No. 7?

Mr. ILSLEY: Yes.

Mr. EVANS: But this applies to tractors.

Mr. ILSLEY: The extraordinary taxes are not applied to tractors. There is no tax on tires which form part of the original equipment of a tractor.

Mr. LEADER: New tires would be taxed.

Mr. ILSLEY: Yes.

Resolution agreed to.

11. That schedule II to the said act be further amended by repealing section four thereof and substituting the following:

"4. Carbonic acid gas and similar preparations to be used for aerating non-alcoholic beverages, 5 cents per pound."

Mr. ADAMSON: What will this tax amount to per bottle of aerated beverage, or "soda pop"?

Mr. ILSLEY: Fifty pounds of carbonic acid gas makes 200 cases of beverage, on the average; one pound would make about four cases. It works out at about 1¼ cents a case.

Mr. ADAMSON: About a twentieth of a cent a bottle?

Mr. ILSLEY: Yes, with a 24-bottle case. The present rate is two cents a pound.

Mr. ADAMSON: This "soda pop" industry is distinctly a luxury industry, and it is escaping quite lightly with a tax of only a twentieth of a cent a bottle. We have taxed coffee and tea, tea being an empire product, coffee to a certain extent also. The minister is overlooking a very considerable source of income in not arranging for some slightly higher tax on this soft drink industry. The Coca-Cola company is one of the most extraordinarily successful corporations in North America to-day. Its stock is selling at $103 a share, paying enormous dividends. This and other companies of that nature should not escape this taxation, while tea and coffee, which are the natural drinks of the poorer people, are taxed heavily under these proposals.

Mr. ILSLEY: There are two other taxes on this type of soft drink. There is the sales tax and also a tax on the sugar which is used in the manufacture of soft drinks. It is also to be remarked that the standard-size bottles sells at five cents, and a tax which would make it unprofitable to sell at that price would put certain companies, probably the smaller ones, altogether out of business and so concentrate the trade in the hands of their larger competitors.

Mr. HANSON (York-Sunbury): A cent is not much.

Mr. ILSLEY: I know, but it is quite a lot on the number that are sold.

Mr. FAIR: The argument advanced by the hon. member to my right is not very convincing, because it is the poor who would have to pay this tax. I think he should realize that, and if he wants to put any tax on drinks he should advocate putting it on the more expensive beverages which are consumed by people of the prosperous classes,—for example, champagne and a number of the higher-priced whiskies which are consumed only by those who can very well afford to pay war taxation. If anything is to be done with regard to "pop", which is used almost exclusively by the poorer people, cut down the price.

Resolution agreed to.

12. That schedule III to the said act be amended by striking out under the heading of "Farm and Forest," in the eighth and ninth lines the following words:

"farm produce sold by the individual farmer of his own production,"

and substituting therefore the following words:

"farm produce sold by the individual farmer of his own production, not to include canned fruits or vegetables when produced in excess of 10,000 cans of one pound each or their equivalent, per annum, nor flowers, flowering plants or bulbs, when the sales thereof exceed $500 per annum."

Resolution agreed to.

13. That any enactment founded on this resolution shall be deemed to have come into force on the twenty-fifth day of June, one thousand nine hundred and forty, and to have applied on all goods imported or taken out of warehouse for consumption on and after that day, and to have applied to goods previously imported for which no entry for consumption was made before that day.

Mr. HANSON (York-Sunbury): The other day I made a plea for certain classes of importation, of a class or kind not made in Canada, ordered under a firm contract, shipped before the 24th of June. I thought I had made out a case. I did experience some difficulty, I think, in convincing the minister that I was correct in the principle I was contending for, but he did not absolutely shut the door in my face, and I am wondering if he has given further consideration to the position, if any representations have been made to him on behalf of others, if it could be considered that there was a large number of cases of a similar kind, and if there was a very substantial amount of revenue involved. All these are considerations which might affect the mind of the minister or of the government in exacting new taxation on the particular item to which I had reference. Would he be good enough now to say if consideration has been given to these representations, and has it been favourable?

[Mr. Ilsley.]

Mr. ILSLEY: I have given some consideration to the suggestion of the hon. gentleman, and I have received a few letters. I understand also that the officers of the department have had some representations made to them in cases where there has been a resale of goods not yet imported before this tax went on. But I regret to say that I have not seen my way clear to come to a conclusion different from that expressed the other day.

If I were asked to state the ground for adhering to the position I took, I think I could give it under three heads.

The first is that there would be considerable difficulty in checking the matter of resales. There would be a considerable opportunity of evasion unless the facts were very carefully checked; because it will be readily understood that an importer could rid himself of the tax by establishing to the satisfaction of the department that he had entered into a contract for the resale of the goods. That is a real difficulty when applied generally, because it must be remembered that if we change this principle this year in this budget, everyone would have the best of grounds for believing next year that it would be changed and would regard himself as unfairly treated if we did not continue with our changed policy.

The second reason is that we would be upsetting an established practice with regard to duties imposed at the time of the budget. I understand that the same has not always been true when duties or higher values resulting in dumping duties are imposed by order in council; consideration has been given to existing contracts and to goods in transit; but so far as my information extends, that has never been the case at budget time. It is universally understood by people in business that they take their chances on the imposition of duties at budget time and that if their goods have not arrived they are subject to duties when they do arrive and are taken out of warehouse or entered for consumption. I think that has been universally the case. It is a contingency with which business has to reckon, and many importers have been caught in times past to the extent of the increase of the duty. This is not an extravagant or an exceptional increase. It is not a large duty. It is not like a 50 or 75 per cent duty. It is only 10 per cent; and, as I said the other day, there are no special circumstances here which differentiate present from previous importations in previous years in, at and around budget time.

In the third place, an importer could have protected himself by his contract of resale. This is not an academic or theoretical consideration; because, as I said the other day,

one importer who waited on me had protected himself in his contract of resale. He had ordered in large quantities an ordinary type of commodity, and by his contract of resale he was enabled to pass the ten per cent on to the consumer. It would not be any more than ordinary prudence, I think, for importers in a time of war, when it is known that there may be large increases, when they have anticipated considerably larger increases than this of duties for revenue purposes or for exchange conservation purposes, or both, to protect themselves.

I should not like to open the door here because, apart altogether from the considerations I have mentioned, there are other cases where goods are being manufactured at the present time in the United States under agreement, for future delivery at a laid down price. The United States exporters, through their representatives—they are allied with interests in this country—have said that it is a great hardship to them. In one case there will be a loss of $15,000. The house may take the view that that is a loss to be borne by the American, but we cannot make such a distinction; we have to treat the people with whom we do business pretty much like our own people in matters of this kind. There is the question of periodicals. We have had representations from representatives of American periodicals to the effect that subscriptions were taken out for such periodicals without any anticipation of the ten per cent tax. The tax goes on, and it is only fair, they say, that they be allowed to complete the year on the basis of the present subscriptions without the addition of the tax. That is something we have had to cope with. It is hard for one to visualize a number of cases, and while I may be too conservative—

Mr. MacNICOL: You cannot be too conservative.

Mr. ILSLEY: Well, it may be said that I am too rigid in this, but I do not think so. I hesitate to depart from the practice established as the result of the cumulative wisdom of a long line of ministers.

Mr. HANSON (York-Sunbury): I am certainly not impressed with the first two reasons assigned by the minister, especially the first one. He suggests that all kinds of fraud may be resorted to in order to defeat the tax.

Mr. ILSLEY: To evade the tax.

Mr. HANSON (York-Sunbury): I do not believe reputable business houses resort to fraud. In my opinion that is not by any means an insuperable difficulty. The departments have inspectors and they know with whom they are dealing, so that in any bona fide case they can soon determine whether it should be allowed or not. Fraud, of course, ought to vitiate anything of that kind, but I do suggest that, as regards the first objection, there is no insuperable difficulty and it should not stand in the way of doing what I consider to be justice. The second reason is the same as that given previously; it is that an established practice will be upset. Of course, that is only a matter of the convenience of the department. In the course of his remarks the minister said that an exception had been made to the rule when the dumping duties were applied. Consideration was then given to the position of importers who might be caught by the imposition of the dumping duty. If I understood him correctly, that was what he said.

Mr. ILSLEY: Because they were between budgets.

Mr. HANSON (York-Sunbury): But that does not alter the principle at all. The time factor does not affect the principle. If it is wrong in principle to give consideration to the position of importers who are caught by the imposition of the dumping duty it is wrong in principle with respect to the imposition of the budget tax. These two reasons do not impress me as insurmountable. The department has recognized the injustice of it by making some concession in the second case alluded to by the minister. The third example, that an importer could have protected himself by his contract of resale, is of course an important reason and it is the only real reason that the minister has given. Unfortunately, men are not all as clear-headed and far-sighted as they ought to be. I suppose that is the penalty they pay for incompetence. If the minister cannot change his mind I will not pursue the matter further.

Mr. MacNICOL: With reference to the words in line 3 of paragraph 13, regarding goods imported or taken out of warehouse, in view of the decision the minister gave the other night I presume "taken out of warehouse" would include motors in transit from factory to dealer.

Mr. ILSLEY: We are talking about customs warehouses.

Resolution agreed to.

EXCISE ACT

Resolved, that it is expedient to introduce a measure to amend the schedule to the Excise Act, 1934, and to provide:

1. That the duty of excise on malt syrups as defined by paragraph (c) of section six of the Excise Act, 1934, when imported into Canada and entered for consumption be increased from twenty-one cents per pound to twenty-five cents per pound.

Mr. HANSON (York-Sunbury): What is malt syrup used for? Will the minister read the definition referred to in paragraph (c) of section 6 of the Excise Act?

Mr. ILSLEY: Malt syrup is used for making home brew beer. The explanation is a little complicated for such a small matter, but I will give it. The increase of four cents per pound in the excise duty on imported malt syrup is necessary to correct an omission in the budget of last September. At that time the tax on malt itself was increased by four cents per pound, and the tax on malt syrup, whether domestic or imported, was increased by five cents per pound. This meant that the total tax on domestically produced malt syrup was increased by nine cents; that is, four cents on malt used in making the syrup and five cents on the finished product. The manufacturer of the malt syrup which is imported into Canada is not subject to a tax on malt used in making the syrup, and therefore, in order to equalize the position as between the imported product and the domestic product, it is necessary to impose an additional four cents on the imported product, bringing the rate to twenty-five cents per pound.

Resolution agreed to.

2. That the duty of excise on tobacco of all descriptions manufactured in Canada, except cigarettes, be increased from twenty-five cents per pound to thirty-five cents per pound actual weight.

Mr. HANSON (York-Sunbury): What effect will this have on the ordinary package of tobacco? Will it decrease the size, or increase the price, or both?

Mr. ILSLEY: There will be some variety in the means by which manufacturers adapt themselves to this tax. Possibly some will reduce the size of the package, while others will increase the price.

Resolution agreed to.

3. That the duty of excise on cigarettes manufactured in Canada which was formerly $5 per thousand when weighing not more than three pounds per thousand be increased to $6 per thousand when weighing not more than two and one-half pounds per thousand.

Mr. MacNICOL: How is the difference in weight arrived at? Are there fewer cigarettes in a package?

Mr. ILSLEY: The length of the cigarettes would be the main cause. Some are longer than others.

Resolution agreed to.

4. That the duty of excise on cigarettes manufactured in Canada which was formerly $11 per thousand when weighing more than three pounds per thousand shall now apply to cigarettes weighing more than two and one-half pounds per thousand.

Resolution agreed to.

5. That a duty of excise of ten cents per pound actual weight apply on all Canadian raw leaf tobacco when sold for consumption.

Mr. HANSON (York-Sunbury): What is the present tax?

Mr. ILSLEY: There is nothing on raw leaf now.

Mr. HANSON (York-Sunbury): This is a new tax?

Mr. ILSLEY: Yes.

Mr. MacNICOL: Will it tend to cut down the use of Canadian-grown tobacco?

Mr. ILSLEY: I do not think so. It applies only when sold for consumption; it does not apply when sold to the manufacturer. It was considered necessary to impose this tax because of the substantial increase in the tax on the manufactured product. There was a big differential as it was, but to add ten cents more and still leave raw leaf free would have made quite a considerable difference in our revenue.

Mr. HANSON (York-Sunbury): Is the minister going to collect it at a French-Canadian shack?

Mr. ILSLEY: We shall have to collect it when it is sold to consumers.

Resolution agreed to.

6. That any enactment founded on paragraphs one, two, three and four of this resolution shall be deemed to have come into force on the twenty-fifth day of June, one thousand nine hundred and forty, and to have applied to all goods mentioned therein imported or taken out of warehouse for consumption on and after that day and to have applied to goods previously imported for consumption for which no entry for consumption was made before that day.

Mr. HANSON (York-Sunbury): This is intended to catch this year's crop?

Mr. ILSLEY: Yes.

Resolution agreed to.

7. That any enactment founded on paragraph five of this resolution shall come into force on the first day of August, one thousand nine hundred and forty.

Mr. MacNICOL: Why the first day of August?

Mr. ILSLEY: We have to have time to get out the forms and licences and stamps.

Resolution agreed to.

CUSTOMS TARIFF

1. Resolved, that schedule A to the customs tariff, being chapter forty-four of the revised statutes of Canada, 1927, as amended by chapter seventeen of the statutes of 1928, chapter thirty-nine of the statutes of 1929, chapter thirteen of the statutes of 1930 (first session), chapter three of the statutes of 1930 (second session), chapter thirty of the statutes of 1931, chapter forty-one of the statutes of 1932, chapters six and thirty-seven of the statutes of 1932-33, chapters thirty-two and forty-nine of the statutes of 1934, chapter twenty-eight of the statutes of 1935, chapter thirty-one of the statutes of 1936, chapter twenty-six of the statutes of 1937, chapter forty-one of the statutes of 1939 (first session) and chapter two of the statutes of 1939 (second session), be further amended by striking thereout tariff items 209b, 210, 210e, 281a, 281b, sub-division (a) of items 429, 440l, 440m, 440n, 445o, 445p, 505, 505b, 791 and 825, the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said schedule A:

Mr. HANSON (York-Sunbury): Could not the departmental officials have drafted this in some way so as not to have to name every chapter of every statute in this way? It seems an awkward way of doing it.

Mr. MacNICOL: Would not the word "therefrom" be better than the word "thereout" in the ninth line from the last?

Mr. ILSLEY: I am informed that is the usual word. At any rate it is not ambiguous.

Mr. HANSON (York-Sunbury): The word is all right, but is it necessary to recite all these statutes?

Mr. ILSLEY: Apparently the only alternative would be a repeal and consolidation.

Mr. HANSON (York-Sunbury): That is what it ought to be.

Mr. ILSLEY: It will have to be done some time, but it is such a monumental task to consolidate the customs tariff that it has been carried on this way since 1927.

Customs tariff—208x. Materials, including all parts, entering into the cost of cyanide of potassium and cyanide of sodium, when imported by manufacturers of cyanide of potassium and cyanide of sodium for use in their own factories: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. HANSON (York-Sunbury): What is the reason for the change?

Mr. ILSLEY: The previous rates were subject to 99 per cent drawback when used by these manufacturers. Objection has been taken to those items where there appears to be a duty but there is none because of the 99 per cent drawback. This is one of the items that was referred to the tariff board in a large inquiry into the whole question of drawbacks, and it was one of the tariff board recommendations that these be made free instead of leaving them subject to various rates with provision for 99 per cent drawback. The tariff board recommended the deletion of drawback item 1042 and the insertion of this new item in schedule A of the tariff. The drawback item provided for a drawback of 99 per cent of the duty paid on materials, including parts, entering into the cost of cyanide of potassium and cyanide of sodium. Under the new item materials, including parts, are admitted duty free from all countries, whereas formerly these materials and parts were dutiable at various rates which were subject to drawback.

Mr. MacNICOL: But they will still all be subject to the ten per cent war tax?

Mr. ILSLEY: Yes, when not coming from British countries.

Item agreed to.

Customs tariff—209b. Nicotine; salts of nicotine; non-alcoholic preparations containing nicotine in a free or combined state, for dipping, spraying or fumigating, n.o.p.: British preferential tariff, free; intermediate tariff, free; general tariff, 10 per cent.

Mr. MacNICOL: This item and the one following do not seem to have been changed. Why are they mentioned here at all?

Mr. ILSLEY: The only change made in this item is the insertion of the word "non-alcoholic" before the words "preparations containing nicotine". Item 209b was re-worded and enlarged by the budget of April, 1939. So far every known spraying preparation containing nicotine is non-alcoholic. It is thought advisable to insert the words "non-alcoholic" to keep this item in line with the general practice followed in regard to similar items. I think it is felt that one should not take any chance of the importation of alcoholic preparations of this kind.

Item agreed to.

Customs tariff—210. Peroxide of soda; silicate of soda in crystals or in solution; bichromate of soda; sulphide of sodium; nitrate of soda; arseniate, binarseniate, chlorate, bisulphite and stannate of soda; prussiate of soda and sulphite of soda: British preferential tariff, free; intermediate tariff, 15 per cent; general tariff, 20 per cent.

Mr. ILSLEY: The only change in this item is the deletion of the words "nitrate of soda or cubic nitre, n.o.p." which henceforth will

be exempt from customs duty under tariff item 210e, regardless of the purpose for which it is imported.

Mr. HANSON (York-Sunbury): What is it used for?

Mr. ILSLEY: Just from my own knowledge, nitrate of soda is used as a fertilizer.

Mr. HANSON (York-Sunbury): But what is cubic nitre?

Mr. ILSLEY: It is the same thing under another name.

Mr. HANSON (York-Sunbury): It is a fertilizer ingredient, and it is being made free?

Mr. ILSLEY: It has been free right along.

Mr. HANSON (York-Sunbury): It has been free under the British preference?

Mr. ILSLEY: It is free anyway; I remember that item distinctly. Perhaps the explanation of the next item will make it clear.

Item agreed to.

Customs tariff—210e. Nitrate of soda or cubic nitre: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. ILSLEY: This item formerly provided for entry free of customs duty under all tariffs of nitrate of soda when for use in fertilizers, fluxes, meat curing, glazes, enamel frits, and explosives. Until recently these were all its known uses. It is now being used in the manufacture of preparations for the making of alloy steel. Under the new item nitrate of soda will be admitted free under all tariffs regardless of the use for which it is imported.

Item agreed to.

Customs tariff—281a. Fire brick, n.o.p., of a class or kind not made in Canada, for use exclusively in the construction or repair of a furnace, kiln, or other equipment of a manufacturing establishment: British preferential tariff, free; intermediate tariff, free; general tariff, 15 per cent.

Mr. HANSON (York-Sunbury): Is any fire brick imported of a class or kind not made in Canada?

Mr. ILSLEY: Yes. The explanation of this item is that there is no change in the wording, but the intermediate tariff rate of 12½ per cent is reduced to free on the recommendation of the tariff board. The board also recommends the deletion of drawback item 1044 which provides for a drawback of 99 per cent of the duty paid on fire brick used by manufacturers of iron or steel in the construction or repair of blast furnaces, open hearth furnaces or rolling mill furnaces. The net result of this change is that fire brick of a class or kind not made in Canada now will be admitted duty free from intermediate tariff countries when imported for use in any manufacturing establishment.

Mr. FRASER (Peterborough West): Would it not be wise to retain that duty of 12½ per cent in order to give the manufacturer of fire brick in Canada a chance to make fire brick of this class? I understand that we have the necessary material here with which to make it.

Mr. ILSLEY: The only fire brick that will be free will be of a class or kind not produced in Canada. I do not think it has been the general policy of governments in Canada to place duties on goods of a class or kind not produced in this country with the idea of encouraging someone here to make them. Certainly that has not been done in very many instances. The probabilities are that this fire brick could not be made in Canada, that it must be made from some clay found only outside this country. I do not know that, but I would gather that to be the case. If it were not so I presume this brick would have been made in Canada. Presumably there is some necessity for this importation.

Mr. REID: For the benefit of the hon. member for Peterborough West I can say from actual experience that brick made in Canada and put in a crucible steel furnace will last something like six weeks, whereas brick of the same class which is imported will last nine months to a year under the same heat conditions. That is the experience of a firm with which I have something to do. That is nothing, however, against this country; it just happens that some countries have a superior kind of silica sand and hence can make better fire brick.

Mr. MacNICOL: Does that particular kind of brick come from Scotland?

Mr. REID: From Glenboig in Scotland we do get one variety, but another variety comes from Illinois, where they have a very superior kind of silica.

Item agreed to.

Customs tariff—281b. Fire brick, n.o.p.: British preferential tariff, 5 per cent; intermediate tariff, 15 per cent; general tariff, 22½ per cent.

Mr. HANSON (York-Sunbury): What is the reason for the reduction in the British preferential and intermediate tariffs?

Mr. ILSLEY: This item mainly covers fire brick of a class or kind made in Canada.

It also covers fire brick of a class or kind not made in Canada which does not fall under items 281 and 281a, but there are very few in this category. The British preferential rate attached to item 281b is reduced from 7½ per cent to 5 per cent and the intermediate rate from 20 per cent to 15 per cent. These reduced rates are recommended by the tariff board, which also recommended the deletion of drawback item 1044, under which a drawback of 99 per cent of the duty was allowed on fire brick used by manufacturers of iron or steel in the construction or repair of blast furnaces, open hearth furnaces and rolling mill furnaces. About one-third of the fire brick imported under this item is used in connection with iron or steel furnaces and it will be subject to these new rates without the drawback. About two-thirds of the imports under this item will enjoy a reduction from 7½ per cent to 5 per cent under the British preferential tariff and from 20 per cent to 15 per cent under the intermediate tariff, but the drawback is taken away.

Item agreed to.

Customs tariff—429. Cutlery of iron or steel, plated or not:

(a) Knife blades or blanks, and table forks, of iron or steel, in the rough, not handled, ground or otherwise manufactured; spoon blanks of iron or steel, in the flat, not further manufactured than stamped to shape; blanks, of iron or steel, for scissors and shears, in the rough, not ground nor otherwise manufactured: British preferential tariff, free; intermediate tariff, 7½ per cent; general tariff, 10 per cent.

Mr. MacNICOL: Where does this line of goods come from?

Mr. ILSLEY: From the United States.

Mr. MacNICOL: And what is the present significance of the rates of 17½ per cent, 27½ per cent and 30 per cent?

Mr. ILSLEY: That is the rate on forgings. The present item covering knife blades or blanks, spoon blanks and table forks in the rough is enlarged to cover blanks of iron or steel for scissors and shears. Blanks for scissors and shears are at present dutiable as forgings at rates of 17½ per cent, 27½ per cent and 30 per cent. Under the new item they will be entitled to the same tariff treatment as blanks for other cutlery, namely the rates of free, 7½ per cent and 10 per cent.

Mr. MacNICOL: Will not the minister lose revenue there?

Mr. ILSLEY: The importations are small, but for persons who wish to import the forgings for the purpose of finishing scissors, it seemed as if they were entitled to the same treatment as importers for the other purposes indicated in the item.

Item agreed to.

Customs tariff—440l. Aircraft and complete parts thereof, n.o.p., not including engines, under regulations prescribed by the minister: British preferential tariff, free; intermediate tariff, 25 per cent; general tariff, 27½ per cent.

Mr. ILSLEY: There is no change here.

Mr. MacNICOL: There is no change in the duty schedule.

Mr. ILSLEY: The only change made in respect of this item is the insertion of the letters "n.o.p." The present rates are unchanged. The United States trade agreement rate is 20 per cent on aircraft, excluding engines, and 15 per cent on completed parts of aircraft. The tariff board reviewed the existing tariff items 440l, 440m and 440n, drawback item 1063 and drawback item 1064, which has been inoperative since July 1, 1935, and recommended the new set-up covered by items 440l, 440m (i), 440m (ii), 440n, 440-o (i), and 440-o (ii), and the deletion of drawback item 1063.

Item agreed to.

Customs tariff—440m(i). Unfinished parts of aircraft, n.o.p., not including parts of aircraft engines: British preferential tariff, free; intermediate tariff, 15 per cent; general tariff, 27½ per cent.

Mr. MacNICOL: What is the significance of the change here, particularly when in the present schedule there are four rates in each division?

Mr. ILSLEY: This is a new item. It is recommended by the tariff board to provide for entry of unfinished parts of aircraft, n.o.p., not including parts of aircraft engines, at the rates of free under the British preferential tariff, 15 per cent under the intermediate tariff, and 27 per cent under the general tariff, the rates applying to complete parts. Unfinished parts of aircraft were formerly dutiable according to material. But the hon. member will notice in the last three columns that there were various rates for unfinished parts, and the recommendation was made by the tariff board that they all be put into one item, and made dutiable at these rates.

Mr. MacNICOL: Both this item and the previous one constitute an effort to foster the manufacture of aircraft engines in Canada.

Mr. ILSLEY: Well, there are separate items covering engines and parts of aircraft engines. We will come to them later.

Item agreed to.

Items 440m (ii), 440n, 440o and 445o agreed to.

Customs tariff—445p. Ceramic parts; copper alloys for welding; getter and getter assemblies; glass parts; metal bulbs and shells and metal headers; mica parts; mica assemblies; wire snubbers, clips and straps; wire of molybdenum and molybdenum alloy; nickel and nickel alloy tubing, wire, ribbon, screen and strip, coated or not, carbonized or not; metal cathodes; nickel, nickel alloy and nickel plated parts, coated or not, carbonized or not; tungsten and tungsten alloy and zinc wire; leads, spuds and welds; iron parts designed for sealing to glass; hooks and supports; base pins; wire and strip of silver copper, chrome copper, chrome iron or plated iron; top cap assemblies; graphite anodes; heaters and filaments; all the foregoing when imported by manufacturers of radio tubes and parts therefor, for use exclusively in the manufacture of such articles, in their own factories: British preferential tariff, free; intermediate tariff, free; general tariff, 30 per cent.

Mr. MacNICOL: I suppose the explanation the minister gave a moment ago respecting an earlier item would apply to all these items. He indicated a desire to give this class of items similar rates?

Mr. ILSLEY: Yes, and there are other reasons. These are items recommended by the tariff board. Some parts not previously specified are here indicated.

Mr. MacNICOL: As was explained a moment ago.

Mr. ILSLEY: Yes.

Item agreed to.

Customs tariff—505. Planks, boards, deals and other lumber of wood, not further manufactured than planed, dressed, pointed, tongued or grooved, n.o.p.: British preferential tariff, 10 per cent; intermediate tariff, 10 per cent; general tariff, 25 per cent.

Mr. MacNICOL: Does the same explanation apply in this instance?

Mr. ILSLEY: No. This is a new item replacing existing items 505 and 505b, covering dressed lumber. After the Canada-United States trade agreement went into effect on January 1, 1939, it was found that lumber dressed on four sides was dutiable under tariff item 505 at the trade agreement rate of 10 per cent, while lumber dressed on two sides only was dutiable at the rate of 20 per cent. It was necessary to pass an order in council providing for the entry of lumber dressed on two sides only at the rate of 10 per cent. This order in council expired on July 1, 1940. The new item simplifies the wording of the existing items covering dressed lumber, and provides for a rate of 10 per cent on imports of all dressed lumber from the United States.

Item agreed to.

[Mr. Ilsley.]

Customs tariff—791. Materials of all kinds for use only in producing or manufacturing preparations provided for in tariff items 209b and 219a, under regulations prescribed by the Minister of National Revenue: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. MacNICOL: Why would item 791 not be associated in the first instance with item 209b?

Mr. ILSLEY: This is a separate item. It covers materials entering into the manufacture of the goods mentioned in the earlier item. I believe it should be separate.

Mr. MacNICOL: I can see that item 791 might refer to item 219a, but it struck me it would be better to place material entering into the construction of articles mentioned in item 209b along with that item. However I am not pressing the point.

Item agreed to.

Item 825 agreed to.

Mr. ILSLEY: I will ask my colleague to move an amendment.

Mr. GARDINER: I move:

That schedule A to the customs tariff, as amended by resolution No. 1 of June 24, 1940, be further amended by striking thereout tariff item 616 and by inserting in lieu thereof the following item, enumerations and rates of duty:

616. (1) Rubber, crude, caoutchouc or India-rubber, unmanufactured, n.o.p.: British preferential tariff, free; intermediate tariff, 5 per cent; general tariff, 5 per cent.

(ii) Powdered rubber and rubber or gutta percha waste or junk; recovered rubber and rubber substitute: British preferential tariff, free; intermediate tariff, free; general tariff, free.

(iii) Latex, being crude natural rubber in liquid form, not compounded beyond the addition of preservatives: British preferential tariff, free; intermediate tariff, free; general tariff, free.

Mr. ILSLEY: Item 616 is being amended to provide for a new subdivision to cover latex, which is crude natural rubber in liquid form, not compounded beyond the addition of preservatives. Latex is at present dutiable as crude rubber at rates of free, 5 per cent and 5 per cent, under subdivision (i) of item 616. Latex comes chiefly from the Straits Settlements, and is imported directly to New York in tank steamer. It is impossible to bring this material direct to a sea or river port in Canada because there are no unloading facilities for it at any Canadian port. Most of the Canadian imports of latex are brought to Canada in tank cars from New York. The new item exempts latex from customs duty regardless of the country of origin or of the manner in which the latex is imported. Perhaps it is unnecessary to make any further explanation.

Mr. MacNICOL: Did the tariff board recommend this?

Mr. ILSLEY: This was not done as the result of a recommendation by the tariff board. The committee may remember that during the spring session of 1939 parliament made rubber dutiable at five per cent under the intermediate and general tariffs. I do not know whether the purpose of that tax was explained at the time, but it was imposed largely, if not wholly, to make sure that the existing flow of crude rubber into Canada should continue to come through the then existing channels. Practically all the rubber came from British countries and entered under the British preferential tariff. This rubber came direct to sea, lake or river ports of Canada, and it was necessary that it should take this route in order to obtain the benefits of the British preferential tariff. When we entered into the trade agreement with the United States the committee will remember that we agreed to repeal the three per cent special excise tax on goods entering from intermediate tariff and most favoured nation countries. It was contended by Halifax and Montreal, and perhaps by other ports as well, that taking off the three per cent tax on rubber would mean that rubber would no longer come through Canadian ports. In order to keep the arrangement exactly as it was, the five per cent duty was imposed. Latex cannot enter through Canadian ports because no Canadian port has the necessary unloading pumping facilities. These facilities are quite expensive, but they are available at New York. Unless the rubber companies were to be unnecessarily penalized, it was necessary that this material be put on the free list.

Amendment agreed to.

Item as amended agreed to.

Resolution as amended agreed to.

2. Resolved, that schedule A to the customs tariff, as amended, be further amended by deleting from the Customs Tariff Amendment Act, 1939, being chapter two of the statutes of 1939 (second session), the following enumerations of goods and rates of additional duties of customs:

"Manufactured tobacco of all descriptions except cigars, cigarettes and snuff, 5 cents per pound.

Cigarettes weighing not more than three pounds per thousand, $1 per thousand.

Tea, when the value for duty thereof under the provisions of the Customs Act:

(a) is less than 35 cents per pound, 5 cents per pound.

(b) is 35 cents or more but less than 45 cents per pound, 7½ cents per pound.

(c) is 45 cents or more per pound, 10 cents per pound."

and by substituting therefor the following enumerations of goods and rates of additional duties of customs:

"Manufactured tobacco of all descriptions except cigars, cigarettes and snuff, 15 cents per pound.

Cigarettes weighing not more than three pounds per thousand, $2 per thousand.

Tea, when the value for duty thereof under the provisions of the Customs Act:

(a) is less than 22½ cents per pound, 5 cents per pound.

(b) is 22½ cents or more but less than 30 cents per pound, 7½ cents per pound.

(c) is 30 cents or more per pound, 10 cents per pound."

Mr. ILSLEY: This resolution applies to imported goods, whereas the other applied to domestically produced goods. It is necessary to balance the excise tax. When the excise tax is raised, the customs duty must be raised as well.

Mr. MacNICOL: I have no objection to imposing a tax on cigars and cigarettes even though it affects the price of the smokes of my hon. leader, but I should like to say something about this tax of five cents per pound on tea. Tea is a poor man's beverage, and I should like to know if the minister thinks it absolutely necessary to impose this tax, especially on the cheaper grades of tea?

Mr. ILSLEY: This resolution increases the duty and widens the range.

Mr. HANSON (York-Sunbury): We are to get more money out of the tea drinker. As I understand it, the present duty is 5 cents per pound where the tea costs less than 35 cents per pound; 7½ cents per pound on tea costing between 35 and 45 cents per pound, and 10 cents per pound on tea costing over 45 cents. We are now imposing a tax of five cents per pound where the tea costs less than 22½ cents per pound; 7½ cents per pound on tea costing from 22½ to 30 cents per pound, and 10 cents per pound on the tea costing over 30 cents per pound. What will be the increased revenue?

Mr. ILSLEY: The effect of the proposed amendment will be to make a larger proportion of the imports subject to the additional duty. This reduces the range of imports which previously came under the 7½ cent and 10 cent rates, and lowers the range for the 5 cent rate. Formerly about 90 per cent of our imports entered under the 5 cent rate. With this increased tax it is estimated that 25 per cent will enter under the 5 cent rate; about 57 per cent under the 7½ cent rate and about 18 per cent under the 10 cent rate.

Mr. HANSON (York-Sunbury): What will be the increased revenue under the three rates?

Mr. ILSLEY: About $800,000.

Mr. HANSON (York-Sunbury): What is the present revenue?

Mr. ILSLEY: Heretofore the revenue has been $2,100,000, and hereafter it is estimated it will be $2,900,000.

Mr. HANSON (York-Sunbury): What do we take from the coffee drinkers?

Mr. ILSLEY: I am afraid I have not before me any figures that would be of any value.

Mr. HANSON (York-Sunbury): It is about $5,000,000.

Mr. ILSLEY: Yes.

Resolution agreed to.

3. Resolved, that schedule B to the customs tariff be amended by striking thereout tariff items 1042, 1044 and 1063.

Mr. HANSON (York-Sunbury): What are the items referred to in this resolution?

Mr. ILSLEY: These are the items to which I referred as I went along; they are drawback items which were struck out and free items substituted therefor.

Resolution agreed to.

4. Resolved, that any enactment founded upon the foregoing resolutions to amend the customs tariff or schedules thereto shall be deemed to have come into force on the twenty-fifth day of June, nineteen hundred and forty, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

Mr. HOBLITZELL: Mr. Chairman, I should like to say a word or two on this resolution, as it affects the oil industry in which I am engaged. Due to the war crisis and as a new member I might not have addressed the house during this session but I feel that this is a subject upon which I am qualified to speak from personal experience. I observe in this item of the resolution the government intends to impose a war exchange tax of ten per cent on the value for duty purposes of all goods imported into Canada. This would apply to all petroleum products imported into Canada, and this is the business in which I have been engaged for over twenty-five years.

I do not object to the tax as such, because one of its purposes is to conserve exchange, and in addition I understand that its application is to be limited to the duration of the war. The danger of this law is not in the tax itself but rather in the possibility of a combine in the oil industry which by this amendment may become possible. There are only four major oil companies which have large refineries in Canada, and the only opposition to these companies is that of small independent oil companies which obtain their supplies chiefly from the United States. This means that the importing companies are not now in as favourable a position to compete with the Canadian refineries, and they will be more or less forced to purchase their requirements from the big majors, and at the same time compete against them. The result of this may be that the big companies will dictate the policy and the prices of the whole industry. As a matter of fact, I am informed, they have already made plans to do so. They have drafted a set of regulations which, I understand, they hope this government will enact, and they have seen to it that they have dollar-a-year men down here on the job to protect their interests. A short time ago a banker got himself appointed to the position of controller of oil. So far as I know, this individual has had no previous experience in the oil industry. Although he has been in office for only two or three weeks, he has already drafted regulations which I have reason to fear. I wonder who are the real drafters of these regulations. I would now ask the minister if the new regulations governing the oil industry will be given to the house before it prorogues.

I hope that the members of the government are alive to this situation. I believe them to be vigilant and earnestly desirous of protecting the public interest. But, as a matter of fact, I have not very much confidence in some of these dollar-a-year men. It would be interesting to know how many orders have gone directly or indirectly to the firms which these men represent or by which they are employed. Presumably these men are still on the payrolls of these firms. If labour is worth anything at all, it is worthy of its hire, and Canada can well afford to pay salaries to those who serve her, and it might be cheaper in the long run to do so. There are hon. members of this house well qualified to act in advisory capacities.

In conclusion, let me commend the government for its efforts to bring about the use of our own natural resources, but let us beware lest, in doing so, we create monopolies detrimental to the public.

The CHAIRMAN: Shall resolution 4 carry?

Mr. HANSON (York-Sunbury): Surely the minister is going to make some statement in reply. There is an implied attack on a class of citizens in this country, in some instances men who have been drafted into the govern-

ment service, and I do not think that this sort of thing should be allowed to go unanswered. I agree with the hon. member who has just spoken that probably there are some instances of what may be called misfits, and of course there is always an opportunity—I do not say that it has been taken advantage of—for gentlemen drafted from industry to favour their own businesses. But I do not think that, in the interests of a class of men who are patriotic and who are endeavouring to serve Canada, the minister should let the statement that has been made go unchallenged. As a class these men are entitled to some defence.

Mr. ILSLEY: The hon. gentleman did make what I think was a rather serious attack on one of the controllers appointed by the Department of Munitions and Supply.

Mr. HANSON (York-Sunbury): That is, the oil controller.

Mr. ILSLEY: The oil controller. I would have asked my colleague the Minister of Munitions and Supply (Mr. Howe) to come into the chamber had there been time, but the hon. gentleman's remarks were concluded so soon that there was not an opportunity. I am quite sure that if that minister were here he would like to say something, although he would be under the disadvantage of not having heard what the hon. member said.

I should like to say this, that while the government has employed quite a large number of persons drawn from industry in Canada, and while it has been necessary, I have no doubt, for the government to place orders with some of the industrial establishments with which these men were formerly connected, I have never heard it suggested in a single instance that one of these men here serving the government has sacrificed the interests of his country for the benefit of the industry with which he had previously been connected. I would not make that statement if I had ever heard such a suggestion. I know it is impossible for persons who have been associated with industry, in buying large quantities of goods from industry in Canada to omit altogether the organization with which they were previously associated, but personally I am completely satisfied that their service collectively and individually has been patriotic and of a high order. I noticed that some hon. members were disposed to agree with observations made by the hon. member—

Mr. JACKMAN: It was also the hon. member's maiden speech.

Mr. ILSLEY: —in reference to the dollar-a-year men, so-called. I agree with the leader of the opposition that it would be very unfortunate, it would be very unfair, if hon. members acted purely on suspicion and without any knowledge of the facts or the circumstances in a case of this kind.

Unless since the beginning of the war something has happened which I know nothing about and have never heard suggested from responsible sources, there is nothing to hide and nothing to fear with regard to the quality of the services rendered by the gentlemen who have placed themselves at the disposal of the government of Canada.

Mr. STIRLING: I do not know the hon. member who has made the statement to which we have just listened, or anything of his connections, or for whom he may have spoken. But I did notice that he drastically criticized certain regulations made use of by the government, and since I understand that those regulations apply not to something in the department of the Minister of National Revenue, but to something in that of another, it appears to me that it would be an advantage to this house, if the regulations have not yet been laid before parliament, that they should be laid before us, so that we can form our own opinions as to the value of the said regulations which have been criticized.

Mr. ILSLEY: I am afraid that we are all out of order in this discussion. I understood the hon. gentleman to refer not to regulations which have been made, but to regulations which he understands are contemplated.

Mr. HOBLITZELL: So I am informed.

Mr. HANSON (York-Sunbury): By the oil controller.

Mr. ILSLEY: By the oil controller. That is what I understood him to say.

Resolution 4 agreed to.

Resolutions reported, read the second time and concurred in.

EXCISE ACT, 1934, AMENDMENT

Hon. J. L. ILSLEY (Minister of Finance) moved for leave to introduce Bill No. 100, to amend the Excise Act, 1934.

Motion agreed to and bill read the first time.

CUSTOMS TARIFF

Hon. J. L. ILSLEY (Minister of Finance) moved for leave to introduce Bill No. 101, to amend the Customs Tariff.

Motion agreed to and bill read the first time.

INCOME WAR TAX ACT

Hon. J. L. ILSLEY (Minister of Finance) moved for leave to introduce Bill No. 102, to amend the Income War Tax Act.

Motion agreed to and bill read the first time.

SPECIAL WAR REVENUE ACT

Hon. J. L. ILSLEY (Minister of Finance) moved for leave to introduce Bill No. 103, to amend the Special War Revenue Act.

Motion agreed to and bill read the first time.

EXCESS PROFITS TAX ACT, 1940

Hon. J. L. ILSLEY (Minister of Finance) moved for leave to introduce Bill No. 104, the Excess Profits Tax Act, 1940.

Motion agreed to and bill read the first time.

SUPPLY

The house in committee of supply, Mr. Vien in the chair.

DEPARTMENT OF AGRICULTURE

Production service.

20. Plant protection, $257,928.

Mr. SENN: What are the functions of this particular branch?

Hon. J. G. GARDINER (Minister of Agriculture): This vote is for the inspection and treatment, if required, of import and export shipments of plants and plant products; for insects and diseases; inspection in the field, in storage and at shipping points, of potatoes entered for certification as seed potatoes; the issuance of certificates of health to meet requirements of importing countries; maintenance of quarantine under the Destructive Insect Pests Act; prevention of invasion by or eradication of foreign insects and plant diseases.

Mr. SENN: A short time ago there was a serious infestation known as the apple maggot which threatened entry of our apples into the United Kingdom. What progress has been made in the eradication of this pest?

Mr. GARDINER: The control is under the province and it consists largely in spraying. We simply check in connection with exports to protect those in other countries who have regulations against the importation of products that may be infested with the maggot.

Mr. SENN: There is an advisory committee in this branch of the service. Is the committee functioning and whom does it comprise?

[Mr. Ilsley.]

Mr. GARDINER: The advisory committee is made up of representatives of the provinces concerned and of the federal government. They act in an advisory capacity.

Mr. SENN: Is the pest under control or is it still dangerous?

Mr. GARDINER: The numbers of orchards examined last year were:

Province	Number
Prince Edward Island	none
Nova Scotia	6,231
New Brunswick	46
Quebec	78
Ontario	2,621
Total	8,976

The numbers of orchards free were:

Province	Number
Prince Edward Island	No figures
Nova Scotia	5,228
New Brunswick	26
Quebec	31
Ontario	1,595
	6,880

That is, of 8,976 orchards examined, 6,880 were free.

Mr. BLACK (Cumberland): Free of what?

Mr. GARDINER: Maggots.

Mr. HATFIELD: Has the number of inspectors for certified seed potatoes been increased?

Mr. GARDINER: No; I understand the number this year is the same as last.

Mr. HATFIELD: There has been a large increase in the number of acres of certified seed potatoes grown, and there should be an increase in the number of inspectors because there are not enough inspectors in New Brunswick to inspect the acreage.

Mr. GARDINER: One of the reasons why we have not increased the inspection staff is that sufficient money has not been voted. There is some increase in the amount of work, and we are using some of the other plant inspectors to do that work.

Item agreed to.

Production service.

21. Plant products—seeds, feeds, fertilizers, insecticides and fungicides control, including grant of $18,900 to Canadian Seed Growers Association, $518,487.

Mr. PERLEY: According to the details on page 71 of the estimates there is a reduction of $46,000 in subsidies. Will the minister explain that?

Mr. GARDINER: No subsidies are being paid this year in connection with seed. It is

one of the places where we have reduced expenditure in order to get down to the amount that we thought we could legitimately spend this year.

Mr. PERLEY: It just applies to seeds?

Mr. GARDINER: Yes.

Mr. SENN: With regard to the subventions that have been given in the past for seed fairs, et cetera, is it intended to carry on that programme this year?

Mr. GARDINER: It is not the intention to continue those subventions this year. They have been removed as a result of the attempt to cut down expenditures.

Mr. SENN: In respect of the operation of the different acts that come under the control of this branch, such as the Seeds Act, the Feeding Stuffs Act, the Fertilizers Act, the Agricultural Pests Control Act, and the Inspection and Sale Act, which last, I suppose, has to do with hay particularly, is it the intention to carry on the work under these acts to the same extent as formerly?

Mr. GARDINER: Yes; we are carrying on all these activities to the same extent as formerly.

Mr. SENN: Is the advisory board under the Seeds Act carrying on; has it met this past year, and has it made any radical changes in the standards set up from time to time, particularly in relation to clover seed?

Mr. GARDINER: The advisory committee is still in existence. My information is that it did not actually meet during the year, but that the representatives of the department, while going through the country, saw all the members of the committee and submitted certain changes which were proposed, and those have been agreed to. It is really a long list, I think it would be better if I tabled it rather than attempted to read it.

Mr. SENN: I would not ask the minister to read it. Is there any change in the advisory committee, and who are the members now?

Mr. GARDINER: There has been no change. I have not the names here; we will get them later and bring them down.

Mr. CASTLEDEN: I see there are twenty-six seed and feed inspectors, and thirty-six seed analysts. Will the minister explain how the work done by the dominion is correlated with similar work in the provinces, or do the provinces not carry on this work?

Mr. GARDINER: There is not any similar work done in the provinces; we do this particular line of work under an arrangement that there will be no overlapping.

Mr. HATFIELD: What use is made of this $18,900 that goes to the Canadian Seed Growers Association?

Mr. GARDINER: The Canadian Seed Growers Association is a national organization of farmers who specialize in the production of registered seed. They multiply for commerce the foundation and elite stock seed produced by dominion and provincial experimental stations and by qualified selected private growers. The association's office functions as a registration bureau for seeds, maintains systematic records of their history, pedigree, disposal and performance, directs the work of the growers and acts as a connecting medium between the registered seed growers and the dominion services, and publishes a seed crop catalogue. Registered seed provides much of the seed stock for field crop competitions.

Commencing with 1931 the association enlarged upon its programme for developing the production of elite stock seed, of field roots, garden vegetables and forage crops. It is the purpose gradually to improve the seed supply of these crops by enlarging upon the plans that have proven to be efficient in creating a substantial supply of pure variety seed of cereal crops. The association is maintained by this grant.

Item agreed to.

Production service.

22. Grants to fairs and exhibitions in the amounts detailed in the estimates, $65,000.

Mr. FAIR: For this year the grant is $65,000. For the year 1939-40 the grant was $322,409.86, so that this year there is a reduction of $257,409.86. I believe this is one item that should not have been decreased in this way. Canada at the present time needs the services of the fairs that have been operating. These fairs have done splendid work in the past. I am particularly interested in the class B fairs of western Canada. I believe there are fourteen of these in operation, and they have been receiving a grant of $2,500 each. That is, $35,000 would satisfy these fairs on the same basis as last year. That amount would pay for our war effort for something like twenty-five minutes. We should not cut out the grants to these fairs this year at least. I understand that the directors of the different fairs have made contracts, and cutting this grant off will be a serious blow to them. I know that in some instances they had a hard time to get along, and this will make their trouble so much greater. Therefore I would ask the minister and the government to reconsider this item and carry on the grants as before, for this year at least, to the class B fairs.

Mr. SENN: Would the minister indicate just what fairs have had their grants reduced and what fairs have had them cut off entirely? This is a very large reduction. As has just been stated, many of these fairs depend materially upon these grants in order to get along at all. I have no doubt there is need for retrenchment, but this is a serious step.

Mr. GARDINER: The ordinary fair grants have been entirely discontinued this year; that is, the grants to all A and B fairs. I want to take this opportunity to express my appreciation and that of the government of the manner in which this reduction has been accepted by the various associations across Canada. In the early part of the season they did make representations to the effect that they would like to have these grants continued; but as soon as it was indicated to them that this step was being taken in order to cut down expenditures this year so that we might have more money with which to carry on the war, we had letters, I think from all associations, accepting the situation and agreeing that the necessities of our war effort were perhaps greater than those of the associations, at least for the time being.

Provision is made under this item for some grants. The $65,000 indicated in it is necessary in order to pay some of the building grants to which we are committed under agreements with some associations. I think those concerned are the associations at Amherst, Quebec, Vancouver, and the royal winter fair at Toronto. Those payments are made under contracts extending over a number of years. In addition, some grants are provided for competitions held for boys and girls.

Mr. PERLEY: What is the reason for the increase in the Quebec grant?

Mr. GARDINER: The amount necessary under the agreement with Quebec was provided in the special vote of $100,000 last year. This year that estimate has been removed, and the grant to Quebec appears together with the other similar grants in these estimates. The Quebec arrangement is an old one, made, I think, about the time of the last war, in connection with which there has been some discussion from year to year as to whether or not all the terms of the arrangement were being carried out. Last year they undertook to make special provision in order to meet some of the terms that previously had not been met, so the arrangement was renewed and payments again are being made under it.

Mr. SENN: I notice a grant to the winter fair at Toronto. Last year that fair was not held, because the buildings were occupied by troops. Will that fair be held this fall? If not, why is it necessary to provide for additions to the buildings at this time?

Mr. GARDINER: There is no necessity for additions to the buildings. This has to do with the cost of the original buildings. Under an agreement made with the government of Canada—I am not sure which government it was—we pay $35,000 a year towards the cost of the buildings, part of which cost is paid also by the government of Ontario and the city of Toronto. That has to be paid in spite of the fact that the fair is not going on. There was no fair last year, and I understand there will not be one this year.

Mr. PERLEY: When will the agreement terminate?

Mr. GARDINER: It has three more years to run.

Mr. SENN: Why was the grant last year $60,000, whereas this year it is only $35,000?

Mr. GARDINER: Last year there was a grant of $25,000 to the fair itself, but I think only part of that was spent. Some expenses had been incurred before the buildings were required by the military authorities. This year there is no provision for any such grant.

Mr. MARSHALL: How much of the amount of $122,409.86 set aside last year was spent on buildings and how much was paid in prize money?

Mr. GARDINER: I think I am correct in saying that the reduction represents the amount of the grants formerly made to agricultural associations in connection with the payment of prizes at the fairs. Any provision made in connection with buildings at fairs was under another vote, for which we are not asking this year. Two years ago it was $50,000; last year it was $100,000, and these items were brought in with the special supplementary estimates.

Mr. BROOKS: I thoroughly agree with the cutting down of this item, which seems to afford a splendid opportunity of saving money to be used for war purposes. I should like to know if any of the fair buildings are being used for military purposes and, if so, if this department is receiving rent from the defence department.

Mr. GARDINER: My understanding is that all these buildings are owned by the agricultural societies which conduct the fairs; and any rentals being paid by the military authorities for the use of these buildings are,

I would assume, being paid to those associations. This department has no direct interest in those buildings and would not collect rental for them.

Mr. HANSON (York-Sunbury): My understanding is that they are not charging rent.

Mr. GARDINER: That may be so. I know some of the Toronto buildings, the London buildings, and a number of other buildings that I could enumerate are being used, although I have not a complete list.

Mr. FRASER (Peterborough West): In Peterborough the exhibition board offered their grounds and buildings to the Minister of National Defence absolutely without charge.

Mr. GARDINER: I think that is the situation in most places. The Ottawa buildings are also being used. I believe the military authorities make any changes that are necessary, and when they are through with the buildings will put them back in the shape in which they found them.

Mr. HANSON (York-Sunbury): I wonder what they will do with regard to the Fredericton buildings, which were burned while being occupied by the Department of National Defence. I have endeavoured to get, and I think perhaps I have arranged, an adjustment of the damage sustained by the association by reason of the cancellation of the fair. There seemed to be no great difficulty about that, but there is a substantial claim against the government with respect to the damage by fire. The buildings were burned down while being occupied by the troops, and, it is said, through the negligence of the troops. Of course this does not come within the jurisdiction of the minister, but when the question comes up he will know that a claim has been made for the loss of this property, which was only partly covered by insurance.

Mr. GARDINER: I would assume a matter such as this would come under the Department of National Defence.

Mr. CRUICKSHANK: I understand the fair boards are granting their grounds and buildings to the militia free of charge. Is that correct?

Mr. GARDINER: That has just been stated by men who are associated with some of these boards.

Mr. CRUICKSHANK: Is that correct?

Mr. GARDINER: I could not say; it is not under this department.

Mr. CRUICKSHANK: I understand that the only grant in British Columbia is to Vancouver. Is that correct?

Mr. GARDINER: There are only four grants taken care of in the $65,000 vote. These are building grants, and not grants to exhibitions in the sense they have been made in the past. In respect of Vancouver we have had for over ten years an agreement under which we pay a certain amount each year. Then, we have an agreement in Quebec of the same kind, one in Toronto of the same kind—which, by the way, has three years to run—and one at Amherst.

Mr. CRUICKSHANK: The class B fair at Chilliwack has offered its grounds for the full use of militia units, or for home defence. Will we be given a grant, such as is being given to the Vancouver exhibition, where a charge is being made for the same facilities?

Mr. GARDINER: The Vancouver exhibition is not charging the Department of Agriculture. I would not be in a position to answer the hon. member's question. He may ask it, however, when the estimates for the Department of National Defence are being considered.

Mr. CASTLEDEN: Is the minister referring to the grants to the provincial exhibition of Quebec, the Vancouver exhibition, the maritime winter fair and the royal agricultural winter fair at Toronto?

Mr. GARDINER: Yes.

Mr. CASTLEDEN: I notice in respect of one of them, namely the provincial exhibition of Quebec, there is an increase of $10,000, whereas there is a decrease of $5,000 for the maritime winter fair. Are these annual grants?

Mr. HANSON (York-Sunbury): They are building grants.

Mr. CASTLEDEN: If so, why the variation?

Mr. GARDINER: These are changes made necessary partly because of changed conditions this year as compared with last year. It was thought that $5,000 would cover the grant necessary for the provincial exhibition at Quebec, but because of the time over which it was to run, the amount was finally increased to $15,000. Apparently we paid $9,000 last year in connection with the Vancouver exhibition. The agreement is for $10,000. I presume there was some reason for only $9,000 being paid out last year. Last year the arrangement in the maritime provinces was for an expenditure of $10,000. I understand that only half of it was spent, and the same amount is being voted this year as was spent last year. In connection with the royal agricultural winter fair, may I point out that the additional $25,000, in the total of $60,000,

was for expenses incurred last year before the fair was discontinued. The $35,000 is a regular building grant.

Mr. MARSHALL: May I add my voice in protest against the reduction in this particular item, because that reduction affects about seventy fairs, particularly those in class B. I have before me the report of the Minister of Agriculture for the year ended March 31, 1939, which, at page 102, deals with the department's policy with regard to fairs. It states this:

> Nineteen class A exhibitions, thirteen winter and provincial shows and forty-three class B fairs, a total of seventy-five, received grants in 1938-39. The royal agricultural winter fair, Toronto, received a grant of $60,000 in general and building grants.

Then I draw the attention of the committee to the following:

> Seventy-four fairs and exhibitions received regular grants totalling $232,910.06 for judges, boys' and girls' club work and prize lists exclusive of building grants amounting to $11,675. In addition, $28,850 from a special grant of $50,000 was provided class A and B fairs, while the balance of this special grant for a total of $21,150 was distributed among twenty-four smaller fairs in the provinces of British Columbia, Quebec, Nova Scotia and New Brunswick.

It seems to me we are penny-wise and pound-foolish in taking such drastic steps in reducing the vote from over $300,000 to $65,000. I would ask the minister to consider the item carefully in order to see whether or not it would be possible to bring in a supplementary estimate which would place the figure where it was before.

Mr. GARDINER: I do not know whether the hon. member was in his seat when I dealt with the matter a moment ago, in reply to the question of an hon. member sitting behind him.

The CHAIRMAN: There has been a considerable repetition of questions already asked and answered. I have also noticed questions which were not directly related to the subject matter before the committee, although they may have had a slight indirect connection. I should like to give reasonable latitude, but hon. members should not unduly repeat questions which have been asked and dealt with already.

Mr. MARSHALL: I am not in the habit of wandering away from the subject under discussion. The government's policy with respect to fairs is important and, I suggest, should be given a little more consideration. It should not be dismissed in a peremptory manner, particularly when the vote has been decreased by a quarter of a million dollars.

[Mr. Gardiner.]

Mr. GARDINER: I was on the point of saying that previously I had explained the first part of the hon. member's question. I had pointed out that it had been decided to discontinue these grants this year in order to assist in the war effort. I believe all the associations which had sent letters earlier either protesting or asking that the grants be continued, wrote later acknowledging the policy which had been determined upon, and agreeing that probably it was the proper course to take, in view of the fact that we are at war. It is not the intention of the government to bring in supplementary estimates to provide any further grants this year.

Mr. HANSON (York-Sunbury): That is settled.

Mr. DOUGLAS (Weyburn): This is the first time to my knowledge that objection has been taken to making representations to the minister in respect of an item. I suggest that hon. members have a perfect right to make representations suggesting that an item should not be reduced, despite the fact that representations may have been made earlier. While I suppose most people realize that in a time of war there must be certain economies, and while it is obvious that the government is faced with the difficult task of deciding what must or must not be cut, the fact remains that the cutting of this item will work considerable hardship in various parts of Canada. And when I see some of the Buick cars being driven around Ottawa I have the feeling that economies might have been carried out in other places.

Mr. HANSON (York-Sunbury): Whose cars? Not mine, I hope.

Mr. DOUGLAS (Weyburn): No; I am talking about persons holding government positions. In other places there might have been economies which would have affected less adversely the morale of the agricultural population. I realize that fair boards across Canada have in the main stated that if the government believes economies should be made in this direction, they are prepared to put up with them. But I am not yet convinced that this item should be decreased.

Mr. GARDINER: In view of what has been said, probably I should place on *Hansard* a few sentences from letters which have come to me. The one I have in my hand is from E. L. Richardson, general manager at the Calgary exhibition and stampede. I shall read one or two sentences as follows:

> This will involve a very serious situation, but in order to do our part in carrying on during the war, the Calgary exhibition has decided to continue the prizes as decided upon before your letter was received, with the proviso

that should conditions make it necessary, we reserve the right to retain up to but not exceeding 25 per cent of the prize money won. It is our hope that it may be possible to pay the prizes in full.

That is the spirit in which these people are accepting this move. From Vancouver I received the following:

We realize the necessity for drastic action in the curtailment of expenditures during these exceedingly difficult and troublesome times, and while it is going to be no easy matter for us to overcome the withdrawal of your support this year, you will be happy to know, I am sure, that after due consideration by the board of control a resolution was passed unanimously approving this and any other step the government may deem necessary to conserve our finances and enable us to do our part in the successful prosecution of the war.

And from Knowlton, Quebec:

Although we regret that this has to be done, we also appreciate the situation.

Then from Lachute, Quebec:

In reply I may say that, at a meeting of our directors held on May 18, it was decided to cancel the 1940 Lachute spring fair, and to offer the use of the grounds and buildings to the Department of National Defence.

That was their reaction. I quote from a news item published in Edmonton:

Edmonton exhibition association will take no action to persuade Ottawa to reconsider its move cancelling the $5,000 grant to the fair this year if association directors approve a suggestion to be made to them by Percy W. Abbott, fair manager. Ottawa recently announced that the fair grants to Edmonton and other cities have been cancelled.

Mr. Abbott will suggest to a directors' meeting to be held shortly that the fair can carry on without the $5,000 grant during war time. Careful revision of the association's 1940 budget has resulted in savings that will about offset the loss of the grant for this year, it was reported.

"It is my view that the association does not want to hinder Canada's war effort in any way," Mr. Abbott said Thursday.

These letters are typical. I have had others from Saskatoon, Winnipeg, Estevan and other points pretty well covering western and eastern Canada and all expressing similar sentiments.

Mr. DOUGLAS (Weyburn): The people of Canada are prepared to make most serious sacrifices; all I am saying is that if the people are going to be asked to curtail their expenditures, they will expect the government to institute the same type of economies.

Mr. FRASER (Peterborough West): The Peterborough fair will not receive the $4,000 grant this year, but the board are prepared to go on and have the fair. They have offered the fair grounds and buildings which are in A-1 shape and as good as any in Ontario with the exception of the class A fairs, to the government.

Mr. GARDINER: I read just what letters I happened to have on my desk. I may say that only recently I was in London in order to attend a meeting of the board of trade, and it was decided that whether or not a grant was paid, they were going ahead with their fair. However, they were asked by the military authorities for the use of the buildings, and this request was granted. I think this has been the attitude all across Canada.

Mr. HANSON (York-Sunbury): I think that is correct. While these associations are reluctant to abandon their fairs, I do not think it will affect the morale of the Canadian farmer, as has been suggested by one hon. member to my left. While we give due credit to the minister for reductions in this regard, I should like to tell him of something that came to hand from a gentleman who is interested in the war savings certificate plan. He is putting over a drive for the sale of these certificates and endeavouring to induce the people of his community to buy them in order to assist the government in its war effort. He found a state of affairs existing which I should like to bring to the attention of the minister. I have brought this to the attention of the Minister of Finance (Mr. Ilsley) in a letter which I have addressed to him but which he has not received as yet. This question is inevitably raised by many people who are asked to buy these war savings certificates: What is being done at headquarters in Ottawa to cut down the ordinary operating costs of the country? That thought seems to be uppermost in the minds of the people of Canada to-day. However, there is one thing which I think ought to be known. The income tax now paid by cabinet ministers, and also by myself, amounts to five times the tax we paid last year. Nevertheless the people of Canada are looking to the government for a reduction in overhead costs here in Ottawa.

We have set up war services which have necessitated 6,000 new employees in Ottawa. We are about to set up a board or commission in connection with unemployment insurance which will require at least 3,500 additional civil servants. The people are wondering if there is to be an equality of sacrifice. The people who are being asked to buy these war savings certificates at the rate of twenty-five cents a day or twenty-five cents a week are beginning to ask that there be some cut in the cost of government right here in Ottawa. One answer to that is the increased income taxes being paid, but that is an indirect method. I was so much struck by this letter

that I immediately wrote to the Minister of Finance pointing out the information it contained as an illustration of the feeling of the people. I hope the minister will give some consideration to it.

Item agreed to.

At six o'clock the committee took recess.

After Recess

The committee resumed at eight o'clock.

Production service.

23. Grants to agricultural organizations, in the amounts detailed in the estimates, $35,500.

Mr. ROSS (Souris): On page 72 of the estimates is shown a reduction of $2,000 in Canadian national live stock records. How is that estimated?

Mr. GARDINER: That item is to cover the usual grant in connection with records. There has been $2,000 taken off. That had to do with the checking of the entries at the fairs, and since we have cut out the grants to the fairs this year, this has been taken out as well.

Mr. ROSS (Souris): This is not for the records themselves?

Mr. GARDINER: The records themselves continue as before. The records set-up is not exactly a departmental set-up, but we have made a grant towards it every year.

Mr. SENN: I did not hear what has been already said in respect of this item, but I notice that a number of grants have been cut off, some of them, I think, unjustifiably—some of them to which the minister might have given further consideration. It came to my attention some time ago that grants for the eastern and western live stock unions have been entirely removed. These two organizations have been doing good work for a long time. The grant for the past year was small, I believe about $1,000 to each organization, and it seems to me that in view of the fine work they have done the minister might well consider continuing the grant. He made the statement, however, just before six o'clock, that it was not the intention of the government to bring down any supplementaries for grants, so I suppose there is no use in urging that the matter be reconsidered. But I draw the matter to the minister's attention particularly because it is a small vote and might very well, I think, have been continued.

[Mr. R. B. Hanson.]

Mr. GARDINER: As I said before the dinner recess, I do not expect that any supplementaries will be brought down in connection with the grants. Under those circumstances I am afraid that there will be no possibility of making grants to these organizations this year.

Item agreed to.

Marketing service.

24. Marketing service administration, $94,262.

Mr. ROSS (Souris): The chairman of the bacon board, Hon. J. G. Taggart, has made several statements throughout the country that as a result of the operations of the board there will be approximately one million dollars for distribution among hog producers. Upon what basis will the distribution be made?

Mr. GARDINER: I believe that when we were dealing with the item on administration there was some discussion with regard to the bacon agreement. As was then pointed out, under that agreement the bacon board has set up a fund. That fund is composed of amounts made available through taking, during the early months of the agreement, the difference between $18.01 and $17.29, which is seventy-two cents, on each hundredweight of bacon shipped from our ports, and placing that money in a fund. There was, in addition to that, the amount which was secured from the packers at the time the agreement was first made, of about $300,000 which had accumulated because of the higher price which the packers received for their bacon, as a result of the agreement, than would have been justified on the basis of what they paid for hogs during a period from some time in December until some time in January. That $300,000 together with the seventy-two cents per hundredweight made up an amount which, three or four weeks ago, according to a statement of Mr. Taggart, the chairman of the board, stood at approximately a million dollars. Since that time we have been collecting more than seventy-two cents a hundredweight; the amount was increased by fifty cents, so that $1.22 a hundredweight has been collected from that time until the present. On account of the fact that the price of hogs in Canada was reduced by reason of a decline in the local or consumers' market, there resulted a decrease in the price being paid for hogs to farmers, but the price under the bacon board agreement to those who were shipping bacon to Great Britain remained the same. An extra half-cent a pound was taken off that and put into this fund as well. I have not the figure at which the fund now stands, but it is considerably more than it was when Mr. Taggart made that statement.

The reason for setting up the fund in the first place was that it was thought that, if the price of hogs continued in the usual course throughout the year, in all probability it would be higher in June, July and August than in the winter months. But of course, as a result of war conditions, the open market does not exist at present, and the situation which some thought might develop has not done so. The price of hogs is lower at present than it was in the winter months.

The thought at first was that some money might be required to encourage farmers to raise more hogs for summer production and also to take care of the situation on the British market by storing pork products or green sides from the winter months in cold storage until the time when they would be turned into bacon to supply the summer needs of the British public and the forces. But circumstances have not developed in that direction. Enough hogs are being delivered in the summer months so far this year, I believe, to have supplied the market under the agreement. In other words, storage is remaining at about a level. So it has not been considered advisable up to the present to make those payments.

Mr. HARRIS (Danforth): Is it not a fact that more is produced than is needed?

Mr. GARDINER: Yes; there will probably be more produced, all matters being considered, than at the present time seems to be necessary.

Mr. HARRIS (Danforth): And more—far more—will be coming in during the months of September, October and November.

Mr. GARDINER: There probably will be. But that is ahead of us.

Mr. HARRIS (Danforth): If the hogs are alive, they will then be matured, and there will be a good deal more than we can take.

Mr. GARDINER: Of course there are some other things alive which may change the situation materially before September and October.

Mr. HARRIS (Danforth): Not hogs.

Mr. GARDINER: But the situation is that we shall have at least as many hogs as we need in order to satisfy the agreement.

Mr. HARRIS (Danforth): Far more.

Mr. GARDINER: And probably, as the hon. member says, more. But the facts as we know them now indicate that it is not necessary at present to issue greater amounts to encourage the production of hogs in the summer months. I would assume, therefore, that we shall permit the fund to accumulate, and probably any distribution which is made as a result of the existence of this fund will be made throughout the next season, if it is considered wise to have it disbursed at that time.

Mr. ROSS (Souris): That is hardly an answer to my question. Mr. Taggart said that this fund was available for distribution among producers who had marketed their hogs. I want to know how I would be recompensed out of that fund for the hogs I have already marketed.

Mr. GARDINER: We shall have to make arrangements with Great Britain during the month of August for the price to be paid for bacon in the next year. At the moment we do not know whether that price will be higher or lower than the price now received. It is just possible that it may be lower. If it were found necessary to hold the price of hogs in Canada at the present level, in spite of the fact that we might be receiving a lower price, or even the same price for bacon from Great Britain as we are receiving now, then it might be necessary to distribute that sum of money over a sufficient portion of the year to have the distribution made among practically the same persons who had delivered hogs last year.

Mr. JOHNSTON (Bow River): In view of the minister's statement I cannot understand why it was necessary, if we have such a large production of hogs now, to have so many hogs shipped into Canada from the United States a few months ago. About two months ago Canada Packers were trying to sell to the Canadian army bacon shipped in from the United States.

Mr. HANSON (York-Sunbury): They did.

Mr. JOHNSTON (Bow River): Yes, and it speaks well for the army that they refused to take it. It was of an inferior quality and had to be sent back, and they had quite a time getting the packers to take back that United States bacon and supply first-class bacon instead.

Mr. GARDINER: That may be true. We all know that now. If, however, one were to examine the records, so far as hog production is concerned, over the last ten years, and indeed over a much longer period than that, it would be found that the situation which I have described has not happened before, at least not according to any of the records that I have checked up. I doubt whether it has happened at any time in our history that the production of hogs throughout the summer months has continued to maintain its level or even to go higher than it has been in the winter. No one in the hog business, whether

producer or packer, had anticipated that it would happen, and I do not believe that anyone connected with the government service anywhere expected it. But it has happened and it is a situation that must be met.

Mr. ROSS (Souris): Suppose I do not market more hogs now; the fact is that I would not benefit under this distribution, as it is proposed to handle the surplus now. Is that correct?

Mr. GARDINER: I am not sure what the board will decide to do. I am stating the possibilities. The first intention was to distribute a part of the fund at the time when the price of hogs should be higher as a rule, because it costs more to produce hogs for summer delivery. Those who have fed hogs will agree that if you have the animals coming on the market in July and August, it costs considerably more per hundredweight to produce them than it does to produce hogs that go on the market in November. Having had that experience in the past, and the further experience that farmers do not produce hogs for summer delivery—or at any rate they have not done so in anything like the volume we have seen this year—we thought it would be necessary to pay more for hogs this summer in order to induce farmers to produce them next summer and thus throughout the war period. But the farmers have produced more this year without that inducement, and the board is still trying to devise a method whereby the fund can be properly distributed among the producers throughout the period which will make it possible for at least the great majority of those who delivered in the last year to obtain something from the distribution.

Mr. DOUGLAS (Weyburn): What the minister means is that the surplus accumulated from those who sold pork products this year may be distributed among those selling similar products next year, assuming that they will be the same persons. In other words, the people who delivered out of their pork production will lose whatever they might have made and it will be passed on to others, assuming that they do not continue producing now.

Mr. HATFIELD: Why is the fund allowed to accumulate? Why is it not paid from now on to the producers?

Mr. GARDINER: Of course, there is a question as to whether it would be advisable to do that. The distribution can be made at this time of the year among those people who are delivering, or it can be left until a later time. I think the desire of the board at the moment would be to await the discussions that are to take place with the British government at the beginning of August, when we shall have a better idea whether Britain will be prepared to pay the same price this year.

Mr. DOUGLAS (Weyburn): May I take it that the amount of the surplus would be too small to enable the board to pay back to people who actually sold?

Mr. GARDINER: I doubt whether it would be possible at this stage to identify the people. I do not think one could find the persons who produced the hogs that made the bacon which was shipped to Britain.

Mr. DOUGLAS (Weyburn): There is no record of it?

Mr. GARDINER: No.

Mr. SENN: I have listened with a good deal of interest and attention to the minister's explanation of this whole matter. It seems to me he is trying to make out a good case for the mistakes which may have been made by the bacon board. Perhaps those mistakes were unavoidable. There is no doubt, however, either in my mind or in the minds of the hog producers of Canada that a grave mistake was made, first, in allowing so much pork to come in from the United States, and, second, in other methods that have been followed. The minister stated that a deduction had been made from all pork shipped overseas, which deduction was, I think, perfectly justifiable for a certain length of time. A part of the money derived from these deductions was spent, I understand, in paying for the storage of bacon, Wiltshire sides, and so on, which could not be shipped at the time, in order to make up for any shortage that might come later on.

Some time ago the board in its wisdom saw fit to discontinue that practice, but immediately it was discontinued the price of hogs to the Canadian farmer went down. It seems to me that somebody must have benefited by that action, because when hogs went down there was no corresponding reduction in the price of bacon, ham and Wiltshire sides sent to the old country, and so far as we can learn there was very little reduction if any in the price of fresh pork when the consumer went to the butcher shop to buy it. Somebody must have been profiting to a certain extent by that action on the part of the bacon board or the Department of Agriculture.

I do not believe there was any justification whatever for the bacon board's suggestion that there might be a shortage of Wiltshire sides for shipment to the United Kingdom at any time. I took the trouble the other day to look up the number of hogs marketed this year and last year. In the first four months

of 1939 there were 864,854 hogs marketed according to the report from the department concerned. In the first four months of 1940 the number was about 1,600,000, or nearly twice the number marketed a year ago. I find that the pork on hand for the first five months of 1940 was considerably above the amount for 1939. For instance, in January, 1939, there were 27 million pounds; in January, 1940, the amount was 44 million pounds, and so right down to the end of May we find a continual increase in the amount of pork on hand. In May the amount of fresh pork on hand in Canada was 66 million pounds, and in addition there were some 32 million pounds of export storage pork, Wiltshire sides, et cetera, making nearly 100 million pounds on hand in Canada at that time.

It seems to me, therefore, that the bacon board's estimate must have been very badly at fault if they found it necessary to allow bacon and pork to be imported from the United States in such large quantities. It was imported in very large quantities. In the last sixteen months something like 47 million pounds of fresh pork was imported as well as a very large quantity of bacon and hams, making something like the product from 240,000 to 250,000 hogs imported into Canada during the past sixteen months, the greater portion being, of course, during this year.

There has been, as the minister stated, a considerable amount of United States pork used to feed the Canadian army. A short time ago an answer to a question which I placed on the order paper was brought down. In substance it stated that United States bacon has been used for military purposes in Canada, although it did not say to what amount; that question was not answered. But it stated, just as the minister has done in trying to justify the situation, that there did not seem to be sufficient Canadian pork on hand to supply the export demand for pork and bacon to Great Britain. I think I have given conclusive figures to show that there was sufficient pork on hand at all times during this year to supply not only the Canadian demand but the demand from Great Britain, and to have an excess over and above that. It seems to me that the bacon board have made a mistake for which the farmers of Canada will have to suffer, although I suppose the bacon board itself was not responsible for the importation. The government and the Minister of Agriculture should have foreseen the situation and seen to it at an earlier date that these large importations of cheap pork from the United States did not enter this country.

Mr. HANSON (York-Sunbury): Would the minister tell us what if anything his department is doing to assist the marketing of the major crop in New Brunswick and Prince Edward Island, namely table-stock potatoes and seed potatoes? Or are they leaving that entirely to the provincial governments? In 1935 when I was in the Department of Trade and Commerce I requested a sum of money to be placed in the estimates for the purpose of promoting markets for New Brunswick seed and table-stock potatoes in the West Indies and in Central and South America. Unfortunately we were defeated at the election and the item did not appear in the estimates for the coming year, although I took the trouble to write to my successor who came into the government in 1935 and who has now gone to a place of repose and refuge in the other chamber, asking him to do something to help the New Brunswick potato producer in marketing our potatoes; something, not in any sense comparable with what the federal government has done or is endeavouring to do for the wheat producers, but at least a gesture along the line of helping them to get a greater market. But nothing was done by this government.

There had been introduced into the provincial department in New Brunswick, prior to the change of government there and prior to 1935, a gentleman who was well versed in the marketing of New Brunswick potatoes. I am glad to know that the provincial department have kept him on and have been sending him south each year in an endeavour to find markets for our surplus products. I am sorry to say they pay him scarcely a living salary, and I was hoping that this government would join with the government of New Brunswick, and also, I trusted, the island government, in doing something to promote the sale of one of our major products, a product of a very high quality.

The potato farmers of New Brunswick are just as badly off, or nearly so, as the wheat farmers of the west. Those of them who depend upon potatoes as the one crop are seriously embarrassed. Fortunately the great majority of them have better judgment and engage in mixed farming, and those who do so have in a measure, perhaps not a very large measure, survived the shock of the period of depression. Those who depended upon the one crop have fared badly. I have taken a great interest in the farmers in my county, and have endeavoured to impress upon them the necessity of diversification, of keeping a good herd of dairy cattle where possible, and increasing dairy and poultry products and all the other products of a mixed farm. But, after all, the farmers of New Brunswick, looking across the border to the state of Maine where they have seen, I suppose in one season out of four on the average, large

sums of money made by the United States potato farmer, and knowing that in a good year returns are large, have been inclined in a degree to follow his example.

I am not blaming this government especially, but the difficulty has appeared more intensely, I think, in the last few years; the federal government have done nothing for the potato producer in New Brunswick. They have done valuable service in respect of plant diseases; they maintain a laboratory in Fredericton, where the study of plant pathology has been centred and a great deal of good work has been done, and that work I am bound to say has been extended under the present minister. For that I give him credit. More may be done, because it seems new problems are always arising. I suppose there is no one in business who has so many enemies as the farmer—I mean insect enemies.

Mr. REID: The enemies are not all insects.

Mr. HANSON (York-Sunbury): I do not just understand the implications of that remark, but I know that the insects are among the chief enemies of the farmer. Another enemy may be the weather, but unfortunately we have no direct communication with Providence in the control of the weather. Weather has a marked effect on the success of the potato grower, but it needs someone wiser than I to handle that. The government, however, can do something under this item with respect to assisting the New Brunswick potato farmer in marketing his crop.

May I revert to the item I spoke about the other day in connection with the revision of the Canada-West Indies treaty, which has an indirect bearing on this subject, and which I have drawn to the attention of the Minister of Trade and Commerce (Mr. MacKinnon). I believe that properly it comes under his department. I hope consideration is being given to this matter, notwithstanding the fact that the ministers are busy with the war effort. Perhaps the Minister of Trade and Commerce is not so vitally concerned with that war effort, aside from the question of wheat, and he might give some consideration to the question of the revision of this treaty, and see if some arrangement cannot be made by which our marketing agencies may gain entry into the Cuban market. With sugar stabilized, the purchasing power of the island of Cuba will become greater, I hope; and if it becomes at all normal, I should like to see us get some of the benefit. The purchasing power of Cuba is greater than that of all the other islands of the West Indies put together. If the government could get some measure of entry into that market, and prevent it from being cornered by one or two individuals, they would be greatly helping the New Brunswick farmer. If the minister has any information to give me as to what has been done or what they propose to do, I shall be glad to hear it.

Mr. GARDINER: I should like to direct attention to the fact that this item of marketing services is divided into administration; agricultural economics; dairy products; subsidies to cold storage warehouses; fruit, vegetable and maple products; live stock and live stock products; the marketing of agricultural products, and so on. I say this because I have before me at the moment certain officials who are prepared to assist me in answering any questions of a general nature having to do with the marketing of farm products. Mr. Wheeler is in charge of fruits and vegetables, and he could give me much more detail than the officials who are here at the moment, which would enable me to answer the question much more satisfactorily than I could do now.

Mr. HANSON (York-Sunbury): That is quite agreeable to me. I thought it might be more appropriate under the heading of administration.

Mr. GARDINER: It can be discussed under that heading, of course, but it would be more convenient if hon. members would bring up questions in regard to particular matters when we reach the appropriate heading. Under item *28*, for instance, we could discuss the whole question of hogs, and at that time I shall have before me the official who has to do with that phase of the work. It might be better to confine our remarks under the heading of administration to general matters having to do with the administration of the department.

I should like to make one other observation before sitting down, in order that a general answer may appear together with the question just asked by the leader of the opposition. It has been suggested that we might do something to assist the governments of the maritime provinces in the marketing of potatoes. I should like to point out that during the last five years at least—I am not so familiar with what happened before—we have worked in cooperation with the governments of the maritime provinces, particularly the government of New Brunswick, in connection with the potato question. It is true that Mr. Cunningham has been in the Argentine on behalf of the government of New Brunswick on a number of occasions. I believe he has spent a considerable part of his time there,

but on a number of occasions we have sent with him Mr. Tucker, who is the expert of our department in connection with potatoes. He has been in the Argentine, at times with Mr. Cunningham and at times alone, with regard to this matter. We also employed Mr. Arkell and sent him along with Mr. Cunningham and Mr. Tucker.

Mr. HANSON (York-Sunbury): What does Mr. Arkell know about potatoes? He knows more about running elections.

Mr. GARDINER: He knows considerably more about potatoes, I think, than about running elections. In any event, for many years he was an employee of the government in charge of one of the branches of the department. He was engaged to go to the Argentine and report, and he made a very full report which has been printed. At the moment I have not a copy of that report before me; I did have a copy the other evening when the leader of the opposition dealt with this same question while the Minister of Trade and Commerce was discussing certain matters. That report can be secured by any hon. member, and it goes fully into the possibility of marketing Canadian potatoes not only in the Argentine but also in all countries of South America and in the West Indies. The possibility of marketing our farm products, including potatoes, was considered during that period—that is, 1938 and the following year—with regard to not only South America but also the continent of Europe and Great Britain. The benefit of that investigation is, of course, not so obvious now that the war is on.

Mr. HANSON (York-Sunbury): Were you ever able to overcome the prejudice against the Colorado beetle?

Mr. GARDINER: No, not yet; but there is always the possibility that these things may be done over a period of time. I am only pointing out that we have not ignored the problems of the maritime provinces in relation to potatoes. We have had men investigate and make very full reports on these markets, and I think an examination of the records during the years that work was being done by our department and the New Brunswick department, will indicate that the marketing of potatoes was carried on more successfully as a result of that work.

In addition, we have men in the southern United States who are investigating the possibility of marketing seed potatoes there. As is known by the leader of the opposition and, indeed, most hon. members, our northern potatoes are used for seed purposes in the southern United States, the West Indies and South America, and at the present time we are trying further to promote the marketing of our potatoes in the southern part of the United States. At the same time I should say that the problem of marketing in those countries is particularly the problem of the Department of Trade and Commerce, but we have been cooperating by supplying the expert advice, so to speak, the experts who deal with potatotes and with diseases of potatoes, and who are in a position to point out to people in other parts of the world the degree to which our potatoes are free from the diseases which might make it difficult for them to be used as seed.

I believe that in continuing with this discussion we might confine ourselves to the various items as they come along, and in so doing I think we shall get fuller information than would be the situation otherwise.

Mr. HARRIS (Danforth): I am quite in accord with the idea that we should conduct our affairs in an orderly manner, as it were; but under this item we are asked to vote some $94,000 to pay for the services of various economists. I think I am right in that.

Mr. GARDINER: We are still on item *24*.

Mr. HARRIS (Danforth): The details of this item are found on page 72 of the estimates, and it includes the salaries of certain agricultural economists. At any rate, this item has to do with administration, and I should like to bring to the attention of the minister a rather broad question. In the administration of this department are the government thinking of the primary producers? Are they trying to gather advice from the primary producers? Are they trying to assist the primary producers, or do they take their advice from the processers of the primary products? We must remember that those processors are well organized, whereas, on the other hand, the primary producers are not well organized. But, day by day the administration is well lobbied by the processors. And when I think of processors I think not only of processors of fruits and vegetables, but also of the packing house industry. That lobbying is carried on from week to week, one year after another. Is the administration giving enough attention to the primary producers of original products?

Probably the minister knows what is running through my mind. He knows I have in mind something which has been discussed many times during the last five years. Each year we produce in Canada about 95,000,000 pounds of lard. Prior to legislation passed by the country to the south of us, we in Canada enjoyed an export of lard to Great Britain. In 1936, however, by reason of provisions contained in appendix 4 of the Baillie amendment signed by the president in August of that year,

an excise tax ranging from three cents a pound to, in some instances, a total of as high as eight cents was placed against imports of fats, fatty acids, and all commodities of that kind going into the United States. That ruling applied not only to the edible field but also to the inedible, with the result that the entire economy of Canada, so far as fat production is concerned, was affected. We must remember that the production of fat is a native industry in Canada. It is native to this northern hemisphere, this zone in which geographically we are situated. In this country the farmer is a natural producer of animal fat, but he is not a producer of vegetable fat. So far as animal fats are concerned, our market for the last half century has been centred at Chicago, the stock yards in that city handling more live stock than those in any other market anywhere in the world. For that reason prices are set at Chicago.

In August, 1936, in their wisdom, the United States saw fit to place a duty of almost 100 per cent against the invasion of products of the vegetable kingdom and, so far as Canada, Mexico and South America were concerned, of the animal kingdom, entering their market. When I speak of the animal kingdom I think of it with particular reference to fat production. That duty of three cents a pound was placed against products of South America, Mexico and Canada, so far as products of the animal kingdom were concerned. It was placed against the vegetable fat production of Nigeria, the Gold Coast, the Straits Settlements, and had particular effect in reference to Indian peanuts and Chinese peanut oil. Hon. members may smile, but the quantities involved are tremendous, and swamp entirely our small production of butter fats and lard.

As the minister knows, when that duty of three cents a pound was placed against animal fat products entering the United States, automatically the Chicago market was cut off from the fat supply of the Americas. Automatically millions of pounds, yes billions of pounds a year of vegetable oils were turned back into the markets of the world. Those vegetable oils still found a free market in Canada, to the demoralization of the Canadian market for lard products, and animal fat products of all kinds. At the same time importations of those vegetable oils tended to depress and to hold down the butter market of Canada.

To put it another way, to such an extent was that the situation that importations of vegetable oils from the world markets rose from a normal yearly figure of 90,000,000 pounds to figures of 113,000,000 pounds, 156,000,000 pounds and 200,000,000 pounds, until last year it reached a figure equalling the production of creamery butter in Canada, namely 250,000,000 pounds.

I now address my question to the administrators and economists of the Department of Agriculture. I feel disposed almost to charge that they have been giving too much attention to the lobbyists and the processing interests, and have ignored this vital question which affects agriculture in Canada. They have not considered this encroachment on our Canadian market by vegetable oils against our production of live stock fats. This matter has not received from the department the degree of attention it deserves.

When in 1936 the National Dairy Council of Canada, representing 300,000 dairy farmers, and when all the packing house interests, with the exception of the two major packing house companies in Canada, joined forces and, upon recommendation by the then Minister of Finance, made an application to the tariff board of Canada, headed at that time by the late Judge Sedgewick, their representations were heard, under application 99. Finally, after many delays, and after requests had been made by the government, there was filed in April of last year a report in which it was stated that in order to help the economy of the Canadian farmer, a duty which I believe rests upon the economists in the Department of Agriculture, something should be done to meet the requests contained in the application.

I say at this time that the administration, the economists and the staffs employed by them did not give to that finding the recommendations it deserved. In my opinion the minister failed to observe the findings of the tariff board in that regard. In not doing so, he failed to look after the interests of Canadian agriculture. He certainly looked after the interests of two large packing houses in Canada as well as the interests of three large soap corporations. According to the records in the parliamentary library, one made more profit in one year out of processing vegetable oils sold in competition with our natural animal fats than they did from all their other lines of business put together. They made their profits from the processing of vegetable oils costing four, five and six cents a pound which were sold over the counters of our grocery stores for two pounds for a quarter. Importations of these oils amount now to 250,000,000 pounds a year. This large consumer demand has been built up by high pressure advertising over the radio and in the press and by work carried on in our universities and schools. The women of Canada have been made to believe that they must use vegetable oil shortening.

Those members of this house who belong to the old school well realize that pies can be made by using lard. Our own domestic fats should be used.

I was amazed to learn from a return brought down in this House of Commons that vegetable oil shortening is being used 100 per cent by the dietitians who have charge of the cooking for our troops. I sent the minister a copy of the specifications having to do with shortening, and I should like him to tell me why a specification prepared by the Department of National Defence should state that vegetable oil shortening should be used 100 per cent, and then have the words "lard will not be acceptable" underlined. I know what his answer is going to be, and perhaps I can give it first. It will be said that these oils come from Nigeria, Straits Settlement, the Congo, Africa and other empire countries. During the last twenty years these oils have been improved somewhat by the cultivation of large orchards of palm trees and other trees which produce these products, which are brought to Canada in crude form in tank steamers. I shall not attempt to place my experience as a scientific chemist against that of research chemists, who will contend that these oils are refined and made almost 100 per cent pure. But they are also made inert and the original vitamins are largely removed. They do produce a pure, inert substance which has a high shortening value, and probably a high food value. But in the old days the product came into Canada looking like blackstrap. If lard came out of the packing house looking like that, the inspectors of the health of animals branch would not allow it to go to the edible side of a packing house. The product arrives in Canada in tank steamers running over two per cent free fatty acid. Two per cent free fatty acid is the line of demarcation between the edible and the inedible in our packing industry. The product is then refined and sold to the Canadian public.

These industries are making thousands and thousands of dollars in producing a product which is not native in this country and which is not in the interests of Canadian economy or of Canadian agriculture. These companies are allowed to operate without let or hindrance, and yet they do not pay into the treasury of Canada a fair portion of the profits made on this particular part of their business. Because of the non-action of the present administration they are still carrying on this business—I feel almost like calling it a traffic—without paying a fair share into the treasury.

I contend that in this connection the administration has not given sufficient consideration to Canadian agriculture. I do not know to whom they have listened, but I have an idea. Certain interests have put before them the argument that because we export bacon, we should import vegetable oil. But these products do not come from Great Britain, where we send our bacon. Palm trees do not grow in Scotland, England and Ireland. These products come from the colonies. In passing, I may add that we have an unfavourable balance of trade to the tune of nearly five to one with the countries growing vegetable oils. We do not owe these particular colonies anything. We certainly owe Great Britain something, and I contend that we should buy all we can from Great Britain. But that argument does not apply to the countries producing Chinese peanut oil, Indian peanut oil, Nigerian palm oil and Straits Settlements coconut oil.

In the main, Mr. Chairman, the Department of Agriculture has neglected to get on the side of the farmer in this particular instance. In this year of war, if all other considerations had been put on one side, something might have been done. These imports would not have stopped; 250,000,000 pounds would still be coming in. If an exchange tax against the United States is good business; if it is going to raise $65,000,000, the recommendation of the tariff board which was placed on the table of the house in April, 1939, should have been given effect, and into the treasury of Canada would have come this year between seven and ten million dollars, and into the pocket of the primary producer who is putting lard on the hog's back would have come at least another half-cent a pound for every hog produced in Canada. I agree that there will be more than six million hogs this year; there may be eight millions; and, calculating the return at half a cent a pound on 200 pounds per hog, the resulting payments to the Canadian farmer would have been of some advantage to him. The honest packers, getting a few cents more for their lard, would have given the farmer all the extra coppers they received. They do that; that is a habit of theirs, and this money would have been passed to the primary producer. What would it have cost the consumer? Not much more. I doubt if it would have cost him any more. I am of opinion that shortening made from vegetable oil would still be selling at two pounds for a quarter. So much for the edibles.

As regards the inedibles, although my notes are on my desk in my office and not here, I know whereof I speak. I saw in this city

of Ottawa a specification, drawn by, I believe, the purchasing standards committee with reference to soap. Soap is a product made from inedible fats which are produced by the hog and the steer, and also, more particularly in the last decade, provided by the Ethiopian who climbs up a palm tree to cut down the palm fruit. I find in a specification drawn in Ottawa for soap to be used by our boys who are at present serving in the army, that the soap must not have a titre of more than 25 degrees centigrade, "titre" being the freezing point or the point at which an oil crystallizes. Take an oil; put it in a flask and warm it up; let it cool down by packing it in ice, and the mercury in the thermometer will run down until it touches a point at which the oil crystallizes. Water, of course, freezes at 32 degrees fahrenheit, and the mercury in the thermometer will remain rigid at 32 until all the water in the flask crystallizes. The titre is determined by the crystallization point of fat. In the animal kingdom fats crystallize at anywhere from 33 to 46 degrees centigrade. Neat's-foot oil, for example, will crystallize at about 33 degrees centigrade; Australian mutton tallow, which is the hardest tallow produced in the animal kingdom, crystallizes at about 46 degrees centigrade. In the vegetable kingdom, we find peanut oil crystallizing at 18 degrees centigrade; palm kernel oil at 20 to 22 degrees centigrade, coconut oil at around 25 degrees centigrade.

The specification to which I have referred—2-G.P.-17-1940—requires that soap be made from fats or fatty acids which titre 25 degrees centigrade—which means that soap to be used in Canada by our troops cannot possibly be made from the fat of Canadian steers or Canadian hogs. Producers must use vegetable oil; manufacturers cannot use animal fats to meet the specifications of our friends the standards committee. Never in the history of the industry has it been found necessary to use entirely vegetable products for this purpose. Ever since soap was first produced it has been recognized that fats from the animal kingdom are used to make a first-class toilet soap. Somehow, for some reason, soap manufacturers must use the residue from the production of shortening. You put your stock in the kettle, alkalize it, and down to the bottom of the kettle goes the inedible portion which is used for soap. The clear oil runs off the top; it is then hydrogenated and brought to a consistency equal to that of lard; or, if it is going to be used in the place of butter, it is brought to the hydrogenation point where it will be of the same consistency as butter. But in the bottom of the kettle we find the residue, the inedible portion which is used for soap. In the government specification for soap is the requirement, in effect, that it must be vegetable oil. The Canadian farmers tallow and lard cannot comply with official requirements. Therefore the big five who import, in spite of the tariff board's findings under application No. 99, 250,000,000 pounds of oil into Canada each year free of any tax, enjoy the entire business, and Canadian farmers, unorganized as they are against these five who are organized, must just sit outside. That condition applies in connection with the edible as well as the inedible fats. I charge the Department of Agriculture and its economists with not having given consideration to vital Canadian products.

I grant you that we must buy from Britain. I have said so time after time; I hope to say so again. But let us give the Canadian producer of agricultural products, especially when he has been fair enough to go through all the routine of an application to the board and has won his case against the big industries, a fair chance and a fair break.

Mr. GARDINER: Mr. Chairman, this is, I believe, the tenth time that I have listened to the speech which we have just heard.

Mr. HARRIS (Danforth): On a point of order, Mr. Chairman, I have this evening approached this problem in an entirely different speech, and I appeal to the chair to ask that the minister look up the reports.

Mr. GARDINER: I have them before me.

The CHAIRMAN: Does anybody desire to speak on the point of order? In my opinion there is no point of order. The minister has not referred to speeches delivered during the present session. What he said was that he had heard that speech of the hon. member about ten times.

Mr. HARRIS (Danforth): On a point of order, inasmuch as I made a speech previously on the same subject, I deny that the minister heard the same speech on a previous occasion. I ask him to accept my denial.

The CHAIRMAN: It is only a question of fact on which the minister may have his own opinion.

Mr. GARDINER: The only detail in which I may have been wrong is in the number of times I have heard it. It has been delivered at least twice every session since I have been here and, I fancy, more frequently than that. I have here the records of two sessions in which there was considerable discussion of the matter. On the first occasion on which it was considered after I came here, it was discussed in consequence of an interview which had taken place in my office between the hon.

member for Danforth and myself, and I had occasion to read into *Hansard* at that time the correspondence that had taken place between myself and some of the persons whom the hon. gentleman has been attacking to-night.

Mr. HARRIS (Danforth): Mr. Chairman, I made no attack on anyone.

Mr. GARDINER: My hon. friend made his speech and he will have sufficient opportunity in committee to make another one when I have finished.

Mr. HARRIS (Danforth): I object to the word "attack".

Mr. GARDINER: I shall leave it to members of the committee to draw their own conclusion as to whether my hon. friend was attacking anyone, when he has repeated over and over again, in the time he has been discussing the matter, that the officials of this department have been under the control and influence of packing houses in Canada. That is the type of charge which the leader of the opposition on a previous occasion asked me to be kind enough to answer in this house, when he pointed out to me that the officials of the department could not be here to speak for themselves; and when a member of this house rises in his place and attacks officials with regard to something which, after all, is not a matter for the officials to deal with at all but something which is purely a question of policy, if anyone was to be atttacked it should have been the minister of the department and the government as a whole and not the officials.

Mr. HANSON (York-Sunbury): And I thought those were the ones he was attacking.

Mr. GARDINER: He repeated over and over again that the officials of the department were lobbied by the packing houses, and influenced in the recommendations they made to the government and to the minister, and that the minister was influenced in the recommendations he made by the representations of the packing houses. My hon. friend knows better than that. He has discussed the question on at least ten occasions in this house during the last five years, and at other times in briefer form than he has done to-night; but he has discussed it at length on at least the number of occasions I have suggested; and on each occasion on which he has discussed it the Minister of Finance of the time has taken the question up, debated it fully with him and told him exactly what the position was at that particular time, and the report of the tariff board in regard to the question, along with other matters related thereto.

Mr. HANSON (York-Sunbury): That was only a year ago.

Mr. GARDINER: This was in 1937. The first record I have is 1937, and in this report the Hon. C. A. Dunning, then Minister of Finance, replying to the hon. member for Danforth, made the following statement, as reported at page 1928 of *Hansard* of March 18 of that year:

> Well, I went to England to negotiate this treaty. Obviously the British people were interested in continuing free entry into Canada of a commodity such as this which, from their point of view, was an important export commodity. The fact that they import the raw material from India or Egypt does not lessen their desire to obtain a market for the refined product they derive from that material, and I did not offer any great difficulty in agreeing to continue free entry of these vegetable oils, not merely those included under this item but also those dealt with in the three or four succeeding items.

On the next page, 1929, he is reported as follows:

> I may point out also that what we are considering here to-night involves not only free entry under the British column, but also a ten per cent duty against intermediate countries. There is nothing in the agreement to prevent us from increasing the intermediate and general rates at any future time if in the judgment of the parliament of Canada that should be a desirable thing to do.

In the next column on the same page he says:

> The board gave it wide publicity . . .

He is referring here to the point I am making in relating the history of the matter. It became public, of course, that the Minister of Finance had granted a reference to the tariff board with respect to vegetable oils coming into Canada, and Mr. Dunning made this statement:

> The board gave it wide publicity, and invited the public and those particularly interested to come to give evidence. What resulted? I will tell the committee, just to show that there is another side to this question. No less than sixty members of this house—more than sixty—wrote me protesting against any idea of putting a duty on these imported vegetable oils, and conveying to me resolutions by the hundreds from all the bakers in their constituencies, from all the laundry people in their constituencies, and from others interested in the use of this commodity. I repeat, there were no less than sixty members, regardless of party.

Mr. HARRIS (Danforth): Lobbied.

Mr. GARDINER: My hon. friend said the lobbying was carried on by packing houses.

Mr. HARRIS (Danforth): Certainly it was.

Mr. GARDINER: The lobby that was put on was put on by members of the house after discussion with certain people, bakers and others throughout the dominion, who had been interested in this particular matter. May

I point out that there has been no duty on vegetable oils, because of an agreement with Great Britain. My hon. friend is aware of the fact that in 1939 when this question was under discussion the same Minister of Finance, Mr. Dunning, told him at that time that he was as anxious to get more revenues for Canada as was the hon. member for Danforth; and my hon. friend to-night, in the last few sentences of his remarks, refuted everything else he said in his address when he made this statement—that if you do put the duties on, vegetable oils will continue to come in and you will get the revenue. He now shakes his head, "Yes," agreeing with that statement. Well, if that statement is true—

Mr. HARRIS (Danforth): Mr. Chairman—

Mr. GARDINER: The hon. member will have plenty of time in which to reply. I did not interrupt him when he was speaking. If vegetable oils continue to enter Canada in the same quantities—

Mr. HARRIS (Danforth): I did not say that.

Mr. GARDINER: My hon. friend said that it would not make any difference, that vegetable oils would continue to come in, and that we could only get revenue for this country if they did continue to come in. His whole argument in 1939, part of his argument the other night, part of his argument to-night again, was to the effect that Canada could make money for the treasury by taxing these vegetable oils which were coming in, and that it was only to the extent that they did come in that they could be taxed. If his statement of a few moments ago was correct, namely, that these oils would continue to come in, and that it would make no difference, then there would be just as much vegetable oil used in Canada for shortening purposes after the act as there would have been before the act. His whole argument in 1939 was an argument for the collection of revenues for Canada by having these oils taxed if they came into this country. When he argued in that way in 1939, the Minister of Finance of that day said he would consult with Britain and ask them if they would relieve us from the terms of the previous treaty and permit of a tax being placed upon these vegetable oils to the extent advocated by the hon. member for Danforth. My understanding is that such consultation was had and that the British government were anxious to maintain this eighty per cent of all the vegetable oils entering this country coming from Great Britain. I have before me, in the records of the session of 1939, page 2157, the statement of Mr. Dunning. Mr. Stevens said, "Not from the United States." Mr. Dunning replied:

No. Something like eighty per cent of our total imports comes from British countries. At any rate, we do not face the problem unless we take into consideration the fact that the great bulk of our imports is from the United Kingdom and British colonies. I have here the figures showing our imports.

And he went on to give a statement of the amounts, and then continued:

The item from China would not be affected by the British agreements of 1932. A small proportion of the whole comes from the United States. However that may be, everyone who is looking at the problem in the manner in which my hon. friend the member for Danforth (Mr. Harris), who has presented it on former occasions—

The former Minister of Finance referred to the fact that the hon. member for Danforth had presented this case on a number of occasions.

—looks at it, recognizes that it is a very difficult one to deal with tariffwise, as indeed the hon. member for Dufferin-Simcoe acknowledged.

That simply means that this is one of the products which Britain asked Canada to consider in the trade agreement, made first I think in 1932 and renewed in 1936 and when it came up again at the end of the three-year period. Britain has been concerned about our permitting vegetable oils to come in under that agreement, because of the fact that she takes so many of the farm products and other products of Canada, and she desires to have this volume of these oils continue coming into Canada in order in a small way to help balance the trade as between Great Britain and this country. Why does my hon. friend year after year and session after session say that the only reason why this is done is that some packers are making a lobby on parliament and importuning hon. members and succeeding in that lobby as he said with as many as sixty members of this house? My hon. friend knows better than that; he knows that the calibre of this house is different from that. Lobbyists may approach sixty members of this house and argue with them as to whether this or that ought to be done, but hon. members have sufficient intelligence to come to their own conclusions and act accordingly.

But I think my hon. friend gave the real reason why this question concerns him so much, why he continues to talk about it here session after session and why he lays the blame on someone rather than giving the real reason. He stated a moment ago that

there had been a change during the last decade in soap making and in the substances that enter into the production of soap. That may have something to do with the matter. I do not think any business man in Canada engaged in any line of business the earnings of which may be changed because of changing world conditions and scientific developments, should lightly, under the protection of this house, attack others because they present their case to members of the House of Commons. When they do so, it should not be intimated that hon. members can be influenced in any manner otherwise than in the interests of all the people of Canada. The only argument that has ever been presented in this house on the part of the government in favour of continuing to maintain these vegetable oils on the free list is the argument that it is written in the agreement with Great Britain, and Great Britain considers it of value to have it there and wants us to trade with her in these oils, while at the same time she has been prepared to take the very farm products, in regard to which we are said to be acting in a manner detrimental to the farmer, into her own market in considerable volume.

I wanted to say that on behalf of the officials of the department that I have administered during that time. This was a matter which was dealt with in London by the Minister of Trade and Commerce and by the Minister of Finance at the time and, I presume, was dealt with by the previous government in the treaty negotiations of 1932, although I have not traced it back to see whether that is the origin of this question. In any event it has been dealt with from time to time as that trade agreement was renewed.

I am in agreement with my hon. friend when he says that during this period of war as well as at all other times we should use Canadian farm products as far as possible, not only in feeding our people but in conducting any of the other activities of this country. I believe it was a mistake—and I do not know whom I am blaming when I say this—for anyone to place in a requisition the statement that tenders would not be accepted for lard. On behalf of the officials of the department I administer, I say that those officials made representations to that effect immediately that requisition came out. Hon. members will realize that, working as we are under pressure in connection with war services and attempting to obtain food products for the many camps being operated in Canada, all details of that kind cannot possibly come before the ministry and do not necessarily come before the departments. We are attempting to do what the public has said we ought to do. I do not know who is responsible for requisitions of that kind; I have not been able to trace the matter back that far.

But we have been asked to place as many of these matters as possible in the hands of men who have been carrying on business. We selected the best men we could find. They have administered the affairs of the branches of which they have had charge, as the Minister of Finance said, in a most commendable manner, and they would be the first to say that, having been associated with business all their lives, having had to do mostly with the things that concern themselves and their companies, they might occasionally make a mistake in dealing with a matter than concerns the public generally. I venture to say that if it was one of those very successful bakers who thought he always ought to have vegetable oils on his shelves and use them, he would continue to use vegetable oils. Take some of our housewives who like to have a carton or can of some of these shortenings on the shelf and be able to use it knowing it will be good at any time, whether to-morrow or six weeks from to-morrow; if you had one of them putting out these requisitions they probably would continue to do just what they have been in the habit of doing. When these things happen in connection with building up camps and supplying food; when a requisition goes out which is drawn to the attention of the government or any minister of it, the matter is referred back for further consideration in the light of conditions as they exist to-day. I have no hesitation in saying that it was a mistake on someone's part to issue a requisition for the supply of shortening for a camp at Trenton and to specify that tenders on lard would not be accepted, particularly at this time when it is most difficult to get rid of our hogs in Canada.

As I said a moment ago, I wanted to make this statement in order to clear the officials of my department of the charges made a few moments ago by the hon. member for Danforth. I would also point out to him that the officials of this department probably have received as much criticism from packing houses throughout Canada as they have received from anyone else, if not more.

Mr. HANSON (York-Sunbury): They cannot satisfy them.

Mr. GARDINER: No, I suppose they cannot; and they cannot satisfy a great many other people, either. As a matter of fact, it is difficult to find people whom one can satisfy 100 per cent, but they are doing their best. I want to leave it with this committee that the reason suggested by the hon. member for Danforth was not the reason for any action

taken in regard to vegetable oils. The contract is written into the agreement with Great Britain, and we are carrying out that contract. We do not think this is a very good time to start breaking any agreements we may have with the United Kingdom.

Mr. HARRIS (Danforth): I should like to make an observation with regard to the last few words spoken by the minister. No one is asking that any agreement be broken. The agreement specifically declared, I think in article 13, that these matters may be arranged by consultation. I have not the agreement before me, but the minister had it during the previous debate to which he has referred. There is also on record, I believe, a letter from the British authorities stating that they would like to meet our wishes if some other means of doing so could be found.

In regard to the second last point raised by the minister, I appreciate very much the quick action that was taken; but when the minister is surrounded with economists being paid $100,000 a year, I suggest to this honourable assembly that they should be on their toes to see to it that in all these matters the minister is properly advised so that accidents of this kind may not happen again.

The minister referred to Great Britain; then, in the next few words, he was careful to say Great Britain and the colonies. They do not grow palm trees in England, Ireland or Scotland. They do not grow peanuts there, either. They are grown in India and in China, while palm trees are grown in Nigeria. They do not grow coconuts in the British isles; they are grown in Ceylon and the Straits Settlements.

Mr. GARDINER: But most of it is refined in Great Britain.

Mr. HARRIS (Danforth): I am coming to that. It is quite true that it is refined in Great Britain, for the reason that they want the residue for cattle feed, and so on. That is what the residue is used for. Subsequently a great deal of that product, to the extent of 250,000,000 pounds, finds its way into Canada. I said, and I repeat, that it will still find its way here, but perhaps not quite to the same extent. If we could increase the consumption of dairy butter in Canada by 25,000,000 pounds a year, and reduce our imports of vegetable oils by a similar amount, we still would have coming into Canada each year 225,000,000 pounds of these oils. To the farmers of Canada I say that if we could remove the overhanging surplus on our butter market which each year tends to depress the butter market to the point where our price is on an export basis, we would be doing something real for Canada.

Then we come to lard, of which we did produce some 90,000,000 pounds annually. In the last few years, of course, that production has changed considerably, on account of the export of Wiltshire sides, so I do not want to be held to this average figure of a few years ago. Our annual consumption of lard is about 40,000,000 pounds, and there is no place to send the surplus. As the minister knows, it is difficult to obtain an import licence in order to permit the shipment of Canadian lard to Great Britain. Certainly it cannot find its way into the United States, unless it goes in at the price of inedible oils. As a result, lard to-day is depressed to a price of about six cents per pound, for which it cannot possibly be produced. The net result has been that it must find its way into consumption largely in Canada. The great spread between the price of vegetable oils and the price of shortening permits high-pressure, intensive advertising. On the other hand the farmer who produces lard cannot afford to advertise his product to anything like the same extent, because the spread is not there. As a result, there is no place for the lard to go except into consumption at low prices. Supposing the Canadian people were able to consume all the lard they produced. That would be a pretty good thing for the Canadian people, because of the natural vitamins contained in this product of the temperate zone in which we live. In my opinion as a scientist this lard, with these vitamins, is far better for us than the nascent, inert, highly refined shortening products coming from Africa.

Even if we were able to consume our entire production of lard that would mean only about another 25,000,000 pounds, and there could still be brought into this country to supply the consumer demand about 200,000,000 pounds of the vegetable oils, as against our own production of 250,000,000 pounds of creamery butter, about 90,000,000 pounds of lard, and perhaps 60,000,000 pounds of inedible products. That would not be unfair to the colonies.

The minister said something about the processors. I admit that the big oil crushers are in London; I admit that they are very closely associated with a certain Big Five, and I admit that their influence in the economy of Great Britain is strong. In the face of the findings of the tariff board it would be interesting to see the correspondence which passed between them and the high commissioner's office, and between them and this government, in connection with that problem. I am not going to delay the committee in order to go into that

matter now. I still maintain that the observation made by the minister with regard to the agreement did not go far enough. We can reach our objective by consultation. The difficulty has been removed.

Mr. GARDINER: The consultation took place.

Mr. HARRIS (Danforth): Quite; and since that time the British government in its wisdom has seen fit to demand an import licence before it would allow our lard into Great Britain. The condition has changed. Since that time we have had no place to go with our lard. Previously to the consultation, as the minister well knows—and I have not the figures before me at the moment, although if I took the time I could find them in the volume in front of me—in the same year large movements involving many millions of pounds of lard found their way on to the British market, thereby relieving the pressure on the Canadian market, and replacing lard from Chicago which for the last forty years had been sold in Great Britain. The British housewife sticks to lard when she makes her pie-crust. She still does that. But when in its wisdom, probably in order to conserve exchange, or for some other reason with which I am not familiar, the British government demanded an import licence and shut off 40,000,000 pounds of lard a year entering England, our market was demoralized. So far as that market was concerned, it was demoralized to such an extent that tank cars of edible lard produced from hogs off Canadian farms found their way to the soap factories, and that lard went into the soap kettles to make soap. At the same time we were importing a vegetable oil substitute to take the place of that product. That lard went to the soap kettle at prices as low as five and a half cents per pound. Farmers within the sound of my voice who are listening to what I say must know that they cannot put that lard on a hog's back for five cents a pound.

The condition has changed since the consultation mentioned by the former Minister of Finance. This again emphasizes the fact that some consideration should be given to the matter. I have no apologies to make to this assembly or to the minister for discussing this question. I have discussed it on former occasions, and possibly some of the arguments I made then have been made again to-night. But on this occasion I am impressing upon the administration the necessity for action, so that they may see to it that the farmer in Canada is given every possible protection.

At this time I would answer the other question, respecting the sixty members of parliament. The minister has been in the house long enough to know that members of parliament receive letters from constituents. In the present instance they received them from bakers. What did they do? Well, they just sent those representations to the minister. Is that not what we all do? We just unload on the minister; he has plenty of staff, and he can answer that sort of thing. I have done that; we have all done it, and we will do it again.

The circular went out from manufacturers of shortening to all the bakers in Canada. On the face of it the circular said, "If application 99, dated December 10, 11 and 12, 1936, results in a decision favourable to the applicants, the price of your shortening, Mr. Baker, will be increased by four cents per pound." They had no right to say that, because the application did not ask for four cents a pound. Yet the innocent baker on the street corner was told that immediately effect was given to application 99, the baker would be put to an extra expense, to the extent of four cents a pound. As a result, bakers became nervous.

Mr. GARDINER: That did not go out from the government.

Mr. HARRIS (Danforth): It went to the bakers of Canada.

Mr. GARDINER: But not from the government of Canada.

Mr. HARRIS (Danforth): No.

Mr. GARDINER: The hon. member has been saying that letters came in here, and that then some notification went to the bakers. I want a clear understanding on what did take place.

Mr. HARRIS (Danforth): The minister spoke about sixty members of parliament. He asked a question, and I am going to answer it. I am going to point to the origin of that propaganda. Bakers of Canada by the thousand were told that their shortening was going to cost them an additional four cents a pound. That allegation cannot be substantiated, because the application did not ask for that increase in price, and any such suggestion was in the nature of pure propaganda. The last paragraph of that communication said, "Write your member of parliament right away and have him protest against this iniquitous processing tax." In pursuance of that they wrote members of parliament. I received a letter from a baker on Danforth avenue, Toronto, who said, "If this iniquitous tax"—as he called it—"is placed on, in accordance with application 99, I will go out of business and into bankruptcy right away. Please stop the tax on shortening." It will be understood that bread consists of shortening to the extent

of two per cent. Previously bakers were using lard, but the high-pressure salesman of the other product sent expert bakers to the different bakeshops to show the owners how they could bake bread containing vegetable oils rather than lard. Bakers had their bread baked free for a month by the people who were selling oils, and as a result those bakers changed their formulae to one including vegetable oils. That is an illustration of the system, and the propaganda used.

The bakers wrote their members of parliament who, in turn, deposited the letters on the desk of the minister. The minister in turn looks at our signatures and observes that a member of parliament is protesting. But it must be remembered that those protests came from the bakers, and that they, in turn, were prompted by the industries who, in the first instance, refined the oil. That is the history of the situation with respect to vegetable oils.

We will let it go at that. But before resuming my seat I say that, despite all the picayune interpolations of the minister respecting charges, and so on, in the interests of Canadian agriculture serious consideration should be given this problem. In the second place, in the interests of Canada I say that the economists in the Department of Agriculture should not only give consideration to the problem as presented to them, but also give a lift to the farming communities in Canada, and take off the Canadian market by legitimate means an overhang of 50,000,000 pounds of lard a year.

Mr. DOUGLAS (Weyburn): Would the minister give the committee some information respecting the marketing of pork products, under the bacon board.

Mr. GARDINER: I wonder if the hon. member would follow the suggestion I made a few moments ago, and ask his question on the item respecting live stock, when the officials of the board will be here to assist me.

Mr. DOUGLAS (Weyburn): I am prepared to do that.

Some hon. MEMBERS: Carried.

Mr. HANSON (York-Sunbury): No; I want to say a word before the item carries.

Mr. WOOD: Mr. Chairman, I think there is considerable misapprehension in connection with the administration of the bacon board.

Mr. MacNICOL: Would the hon. member mind speaking a little louder so that we can hear him?

[Mr. J. H. Harris.]

Mr. WOOD: I appreciated the technical address given by the hon. member for Danforth (Mr. Harris), and I am glad the other member from Toronto, the hon. member for Davenport (Mr. MacNicol), is anxious to hear my remarks. I have a kindly feeling toward the members from Toronto, and I am glad to hear them champion the cause of the farmer. But I have always been taught to beware of gift-bearing Greeks.

Mr. HANSON (York-Sunbury): It is, the Greek bearing gifts.

Mr. WOOD: My knowledge of the classics may not be as up to date as that of the leader of the opposition, but as long as he understood my meaning it is all right. I can remember in 1937 when ladies in Persian lamb coats paraded in Toronto protesting against a price of forty cents a pound for butter. I always look upon any advice from Toronto with a certain element of suspicion, and I am inclined to take that view to-night with regard to the hon. member for Danforth. There is no question about what he said with regard to the consumption of vegetable oil having a bearing upon agriculture. But this matter is closely associated with the bacon industry. The hon. member and his deskmate, the hon. member for Haldimand (Mr. Senn), have been championing the cause of the farmer from the point of view of the production of vegetable oils and bacon.

If I remember correctly, under the empire agreements vegetable oils were put on the bonded list on the understanding that the other countries of the British empire were to take Canadian farm products. I was led to believe that these were closely associated, but now there seems to have been a change of heart on the part of some hon. gentlemen who are prepared to be quite vicious in their criticism. To me that seems to be hardly consistent. Let that be as it may, I suppose time will change anyone. I think it was Sam Weller who said that all changes were not improvements, referring to the time he married his second wife. Apparently there has been a change of heart on the part of some hon. gentlemen who supported the putting of vegetable oils upon the bonded list in 1932.

I want to say a word or two about the marketing of Canadian bacon. The hon. member for Haldimand said that in 16 months a total of 46,000,000 pounds of this product had been imported. I shall accept his figures because I assume he obtained them from the bureau of statistics. That importation would probably represent a value of about $2,500,000.

But we should remember that we exported about $15,000,000 worth of meat products in the form of beef, dairy cows and calves. I have before me the live stock marketing report which states that in 1939 up to December 28, we exported to the United States 178,102 beef cattle, 13,000 dairy cattle and 30,173 calves.

Mr. HOMUTH: What would be the value in dollars?

Mr. WOOD: I assume about $15,000,000.

Mr. HOMUTH: Surely not.

Mr. WOOD: I think that would be an approximate figure; there is no tabulation given here. The Canadian market was relieved of that amount of beef products, which naturally created a demand for other meat products in the form of bacon. By reason of that fact the Canadian farmer enjoyed a price of three cents a pound additional to that obtained by his American cousin just across the border. In my opinion that one fact should justify the existence of this bacon board. It is true the price received is not as good as we should like to see it, but I think the hon. member for Haldimand will admit that the Canadian farmer has received more for his bacon than was received in the United States, where the farmers had to meet world competition. I think this fact ought to be kept in mind. Considerable propaganda is sent out among the farmers, and this has a tendency to embitter them against the bacon board. That board is human and is liable to make mistakes, but in the last analysis I believe their action has put millions of dollars into the pockets of our farmers.

There is another aspect to be considered. It is true that we did import a certain amount of United States bacon, but what did that mean? It meant that the consumer was placed in the position of getting his bacon a little cheaper, and we were able to export our Canadian bacon. We had at higher prices the paradox of the farmer getting more and the consumer paying less. It is difficult to legislate to have that condition of affairs exist, but I think the bacon board has been successful because of the accomplishment to which I have just referred. I only hope that the next deal put through by the bacon board will be equally advantageous. I must admit that I have not been able to see just how the disposition of our surplus can be handled. I expect to continue to raise bacon and I hope to participate in the benefits next year, even though I did not get any this year. Sometimes criticism gives only enough of a story to make the people believe what we want them to believe.

In March the hon. member for Haldimand spoke over the radio and condemned the administration of the bacon board quite vigorously. I had an opportunity of making a reply to his remarks. I think he said some of the things which he did because he was not familiar with the operations of the board. I believe it is our duty as members of parliament not to try to undermine the government in these serious times. I believe every effort is being made to help agriculture, and our farmers have been getting more because of the actions of this bacon board. I remember that during the last war, despite the protests of the hon. member for Danforth, oleomargarine was placed on sale in this country. While I am not trying to justify the present condition of affairs by relating that fact, I do want to say that certain hon. gentlemen who criticize the administration should first see that their own doorsteps are absolutely clean.

I am interested in the problems of the farmer. But I think it is an unfortunate thing to undermine his confidence when to-day, as I know just as well as anyone, he is struggling with low prices. He is supplying the needs of the nation at less than cost. We should like to get more for our bacon, but the old country drives a hard bargain, and we have to compete with United States bacon. In going into the bacon industry, farmers have probably made the same mistake of over-expansion as was committed by the farmers of the west in connection with wheat growing, because, for every hundred hogs raised a year ago, a hundred and fifty are raised to-day. Eventually the law of supply and demand must prevail, and I hate to think what might happen to the farmer in the bacon industry if the bacon board had not been in existence.

Mr. HANSON (York-Sunbury): Mr. Chairman, I have no desire to engage in any acrimonious debate over this question of vegetable oils. The hon. member for Danforth, no matter how many times or in what form he has raised the question, has served a useful purpose in keeping it before the minister and the public.

I think I know a little about the matter, although not as much, perhaps, as I might. I know that the British government were anxious that we should take a certain portion of this product, under the Ottawa agreements, to assist some of the British crown colonies, but I suggest that it never for a minute was imagined that importations would grow to such dimensions as they have done during the intervening period of eight years. No one ever anticipated that the consumption in Canada of vegetable oils from the British crown colonies would equal our butter consumption. If we had, I am satisfied that no one would ever have agreed to an unlimited quota.

What I think the minister ought to do—and I believe that by judicious handling of the proposal he could secure some concessions from the British government even though Mr. Dunning failed in 1939—is to arrange with the British government to have a quota placed on these importations into Canada at this time because of the economic conditions surrounding the production of butter in this country. We all know that if Canada produced only enough butter for home consumption the farmer would get, except perhaps in the case of a scarcity, a better price than he receives under present conditions. Just as soon as there is a surplus of Canadian butter, down goes the price to the primary producer, and we hear about it from one end of the country to the other. We heard about New Zealand butter in 1930. I ran an election that year upon that issue and it brought me a good many votes; the government of the day heard about it, too.

If this is a practical suggestion I offer it as such, and in the utmost of good faith. Something must be done to cure the situation with regard to the consumption of vegetable oils in Canada. I have no antipathy to the packers as such, but I do not think that anybody needs to defend them. It has been my experience that they are quite capable of looking after themselves, and they have done it very well, much better than the unorganized farmer can do. We need not care about them; they can look after their own interests. But it is the duty of the minister and his department to protect so far as circumstances will permit the marketing and consumption of animal fats in Canada, whether in the form of butter, lard or what-not.

The minister has—very fairly, I am bound to say, from my knowledge of the situation—stated what the difficulty is. It is the provision in the Canada-United Kingdom agreement. But inasmuch as the British government have limited the importation of some of our products to a quota basis, have put on a licensing system, I think the time is opportune for the minister to apply to the British government to place a quota on vegetable oils coming into Canada and so greatly to reduce the quantity. Two hundred and fifty million pounds of vegetable oil is an astonishingly large quantity to be absorbed by a country which is a butter and lard producing country. If the volume could be reduced to somewhere near the amount of the importations in 1932 or 1933, the whole question would disappear. There is no doubt that by intelligent propaganda and instruction and by putting this commodity on the market at a price greatly below that of animal shortening, the consumption of vegetable oil has been stimulated, but I defy anybody to say that it is as good for the health of the men, women and children of Canada as animal fats.

I remember a debate in this house in 1932 on the question of oleomargarine. The hon. member for Brant, I believe, referred to it to-night. It was a rather free-for-all affair, but a very interesting debate; oleomargarine was called a spread or a smear. As a new member and not an agriculturist, and coming from a section of the country where, at any rate up to the time of the war, I do not suppose we ever imported any oleomargarine, and never to my knowledge having seen oleomargarine either then, before or since, because I never had it in my house, I decided that as for me, as a matter of principle I would have to stand by the old Canadian cow. I have never removed myself from that position, and I am with the Canadian cow to-night.

I do not want to see this descend to a political dogfight between the hon. member for Danforth and the Minister of Agriculture. It is too serious a matter from the point of view of the Canadian farmer. The suggestion I make to the minister is that the time is opportune to approach the British government, having regard to what they have been obliged to do in the way of restrictions on some of our exports, and ask them to take such action as will lead to lessening in substantial degree from year to year the quantity of this product which will be imported into Canada. I confess that I have not perused the 1939 agreement, but I believe that it contains a provision for the approach by the one party to the other to adjust just such matters as this as and when they arise. I know that between 1932 and 1935 adjustments were made at the request of either party. They sat down round a table, discussed the matter and usually arrived at an agreement. The minister had a chance, I believe, to do something for the Canadian farmer and the Canadian cow.

Mr. SENN: I do not want to take very much time in a further discussion of this subject. It may come up again at a later date when another item is under discussion. I did, however, listen with a good deal of interest and attention to the exchange between the Minister of Agriculture and my desk-mate the hon. member for Danforth. I thought that the minister paid him rather a compliment in mentioning the number of times the hon. member had brought this matter before the house. In the first place it shows that he is persistent. In the second place it shows, as a good many hon. members on all sides of the

house believe, that the subject of the importation of vegetable oils for use as shortening, in place of lard and other animal shortening, is one of major importance.

The minister rather criticized the hon. member for his suggestion that the officials of the department had been subjected to representations by the packing houses. I do not think there is any doubt that there is a systematic lobby of the Department of Agriculture. There is no doubt a certain amount of lobbying among the officials of the department from farm organizations of different kinds. Both are perfectly legitimate and no fault can be found with them. However, I am in accord with what the leader of the opposition has said, that undoubtedly representations made by representatives of the big packing interests are much more carefully prepared and are much more thorough in every way than representations made from time to time by various farm organizations.

There is another phase of this matter so far as the recommendation of the tariff board is concerned. It was not proposed to put a direct import tax upon the importation of vegetable oils. The proposal was rather to put a processing tax on these oils after coming into the country, and that is a decidedly different matter from the imposition of a tariff of three cents a pound.

Mr. HOMUTH: And it does not interfere with the agreement.

Mr. SENN: It would not interfere with the real terms of the agreement as they appear on the surface. Of course, it might be interpreted by the British government or by the people of Great Britain as a substitute for such a tax. I have no doubt representations were made to the British government last year as to the desirability of obtaining their consent to some such action, but I have often wondered to what extent those representations were carried. Were they insisted upon, or was the proposal merely put up to the British authorities without any particular argument in its favour or any pressure being brought to bear? I am inclined to doubt that any pressure was exercised, because, had there been, the British authorities, I believe, would have acceded to the request. There is no doubt that the use of vegetable oils to the extent to which they are used in Canada to-day has a bearing on agriculture. Even the hon. member for Brant will agree with that. In fact, he did agree that it has a detrimental effect upon agricultural production particularly in the matter of live stock.

The minister had something to say about a requisition for the use of vegetable oils rather than lard and he spoke as if it was some isolated matter. My hon. friend the member for Souris placed on the order paper a question asking whether vegetable oil shortening was furnished the Canadian army in place of lard and other animal fats and the answer was, "Yes." He asked a second question: "If so, to what extent?" And the answer was, "One hundred per cent." Therefore that same requisition must have been going on for some length of time. I do not know to what length of time that 100 per cent refers, but unquestionably it has been for a considerable time.

Something was said about the large consumption of vegetable oils and the growing favour in which they are held, and this was attributed to intensive advertising. I will offer a suggestion to the administration and particularly to the marketing branch. It is this, that some kind of intensive advertising should be carried on by the department, or at any rate initiated by the department, in favour of lard and animal fats of different kinds. I have in my hand a certain amount of advertising which is being done by the national live stock and meat board of the United States along that line. They recognize the seriousness of the encroachment of vegetable oils and are undertaking a campaign in favour of animal fats. I throw out this suggestion to the marketing board in the hope that they will consider it and do something along that line, because it would be of great benefit. This particular line of advertising shows distinctly that lard is just as good a baking product as vegetable oils, and in many respects better.

May I now refer to one or two other matters that were mentioned by the hon. member for Brant. I must deny one of the statements he made. He said that I was on the radio during the campaign and accused the bacon board of certain things. That is hardly correct. In a way it is offensive. I did criticize the importations of United States pork into Canada, but I never charged the bacon board with responsibility for that, because they are not responsible for it. They had nothing whatever to do with the matter. It came as a matter of course because it could be brought in more cheaply. But I do criticize the administration, and I did criticize them at that time, for not taking advantage of the very method they adopted later on in getting a quota established and keeping cheap pork out of the dominion, as it should have been.

Mr. WOOD: Does the hon. member know that the change had already been made when he made that speech?

Mr. SENN: Yes, and I mentioned it in the speech, but I said it should have been done earlier. I remember distinctly the discussion that took place on oleomargarine. My leader has referred to that discussion. At that time there was a quantity ranging from five to ten million pounds, in the two or three years from 1921 to 1923, which was imported into Canada and used here; and yet that small quantity was regarded as a sufficient menace to the live stock industry of the country to have the product finally prohibited in any form. That is vastly different from the quantities of vegetable oils used in Canada to-day.

My hon. friend said something about the law of supply and demand governing prices of agricultural products. That is quite true. It is true, unfortunately, because when the supply is great, the farmer gets less than cost of production for his goods, and he gets a high price when the supply is small and he has not much to sell. He therefore loses out both ways, and I am beginning to think that some other method will have to be employed sooner or later to assist the farmer in the marketing of his products, and along general lines, because in almost every other line of industry in Canada to-day prices and the return to that industry do not depend upon the law of supply and demand. They are under control in some form or other, and the time will come when something of that kind will have to be done in connection with agriculture if that industry is ever to come into its own.

Mr. McNEVIN: In connection with the distribution of the fund which has been accumulated by the bacon board from these deductions made in connection with the export of bacon and other hog products to the old country, I believe the hon. member for Souris made the suggestion that in the coming month or six weeks this fund might be distributed. To my mind that is inadvisable. We are now entering the last month or six weeks in the operation of this year's business by the board. From the point of view of the producer I believe the most satisfactory method of distributing that fund would be, after this year's operations have been completed, to distribute it on a pro rata basis among the hog producers who have delivered hogs to the board during the past twelve months. It is admitted now that it is unnecessary to offer additional inducements to increase hog production in the coming twelve months. That matter can well be left with the producers to take care of in the coming year. I believe that the rank and file of hog producers in Canada will be quite satisfied so long as none of this fund finds its way into the pockets of the packers. As I discuss this question with farmers in my district, that is the point on which they are definitely interested. They are prepared to take their full responsibility in connection with keeping up the production of hogs. But with regard to this year's operations they are of opinion that, as a definite agreement, under the supervision of the bacon board, was entered into by the Canadian government with the British government, to ship a certain amount of hog products to the British market for twelve months, at the conclusion of that year's operations the packers have received their fair and reasonable share and the producers want to be satisfied that they as producers get their full share. May I repeat that in my opinion the most equitable method to distribute this fund would be upon a pro rata basis among the producers who delivered hogs during this year's operation of the agreement.

Mr. ROSS (Souris): I do not think I made the suggestion that the fund should be distributed in the next few weeks. In fact the suggestion of the hon. member for Victoria, Ont. (Mr. McNevin) has my approval. I agree that the hog producers of Canada should not be encouraged to continue producing hogs as was done last fall. I believe the bacon board or the government were responsible for a situation which might be serious if this war lasts for some years, and I am inclined to agree with what the hon. member has just said.

Mr. BROOKS: Not being a farmer, of course I am not supposed to know much about this problem. But since it has been brought up, and because I represent one of the best dairy counties in eastern Canada, and because the town I come from is known as the dairy town of the maritime provinces, I wish to say a few words. This matter is of vital interest to dairy producers throughout Canada. The thought occurred to me when the hon. member for Haldimand mentioned the processing tax on vegetable oils—and I intended to mention it myself—that this might possibly be a way to protect our dairy farmers and lard producers. I understand it has been tried out in the United States, that a processing tax of three cents a pound was placed on vegetable oils entering that country, which had the effect of greatly reducing the importations of that commodity, with the result that the dairy farmers of the United States received much benefit. I believe that such a tax would have an excellent effect so far as our farmers are concerned.

The minister mentioned trade agreements, and the desire not to change the British empire trade agreements. We in the maritime provinces are 100 per cent in accord with what he said in that connection, because if there have

been any trade agreements which greatly benefited the maritime provinces they were the British empire trade agreements made in 1932. They gave us an opportunity to sell our lumber and many other products. But the government was not so considerate when the matter of the trade agreement with the United States was under consideration a few years ago. We all remember that as far as apples were concerned, there were made to the United States concessions which, even if this war had not come upon us, would, I am satisfied, have been detrimental to the apple producers in Nova Scotia.

The matter of pork and pork products has been discussed here at great length, and it is not my intention to delay the committee by any further discussion of that. There has been very little said on behalf of the farmers of the maritime provinces in that connection. But if the Department of Agriculture and the minister are serious, as I am sure they are, in wishing to assist the dairy farmers and others in the maritime provinces, there is one way in which this can be done perhaps more effectively than any other, and that is by a reduction in the cost of mill feeds which come from western Canada. We pay anywhere from thirty-five to fifty per cent more than they do in western Canada, and even much more than they pay in Ontario and Quebec. This places our farmers at a great disadvantage. Anyone looking at the production of hogs in different sections of Canada will note that while we in the maritime provinces have the milk and other products which go to the feeding of hogs by reason of this matter of the cost of feeds from the west it is almost impossible for us to compete with the rest of Canada in hog production. I ask the minister to use his influence with the government to persuade them to give us that concession, to which I am sure we are entitled. I sometimes wish that we in the maritimes had the enthusiasm and persistence of hon. members from western Canada who for the last six years have risen in this house day after day, and session after session, arguing for assistance to western Canadian agriculture. I feel safe in saying that per capita the benefits which have been received by the western provinces would be about ten to one compared with those received by the farmers of the maritime provinces.

As I listened to hon. members from the west the other night, I remembered that in one year alone some $60,000,000 I think went out in benefits to the farmers in the three western provinces. We have sympathized with western Canada in her troubles in the way of drought and other serious problems, but we also have our problems, and I am safe in saying that they have not received the attention nor are they to-day receiving from the Department of Agriculture the attention which the problems of the western farmers are receiving.

As I listened to one hon. member speaking the other night, the thought occurred to me, as it often does when I hear the vociferous utterances of the western members, that very often in their voting they are not consistent with their speeches in this house.

An hon. MEMBER: Not all of them.

Mr. BROOKS: No, not all; I am referring to some to whom I have listened this session. Some time ago I read a saying that "the wheel that does the squeaking gets the grease." The truth of that saying has never been better exemplified than here in this house. The western wheel is squeaking most of the time, and as far as I can see, it is the western wheel that is continually getting the grease.

Mr. TUSTIN: I am in agreement with a good deal that has been said to-night, and I am sure we all recognize the patriotism being shown by the Canadian farmer in doing his part to prosecute this war to a successful conclusion. I make that statement because our farmers are producing at less than the cost of production. The prices of most of their products are fixed by the government. I was interested to hear the minister say that he expected a goodly sum of money to be distributed among the farmers at some future date in connection with the bacon sold through the bacon board to the United Kingdom. I wonder if the minister realizes the staff that will be required to distribute these small amounts among the producers of hogs in this country.

Mr. GARDINER: It will not take any staff at all.

Mr. TUSTIN: A good many times I have heard it said that something will not require any staff at all, but in all the time I have been in this house I have never seen that statement borne out. There is a fixed price for bacon. When the agreement was entered into, the farmers in my community received about nine cents a pound for pork. During the last few months they have received as little as $7.75 per hundredweight for their pork.

Mr. GARDINER: That is still 2¾ cents higher than the price across the line.

Mr. TUSTIN: That may be so. I was interested to hear the hon. member for Brant state that at least the consumer had been able to buy his pork a little more cheaply because United States pork had been allowed

to come into this country in such great quantities. I ask you, Mr. Chairman, and every member of this house, if you have been able to buy a pound of pork more cheaply because of the importation of United States pork. I say that is not so. There has been no difference in the price the consumers have had to pay for pork in the butcher shops throughout this country.

My purpose in rising, however, was to suggest that if the government is going to fix a price on pork or bacon, then the government should go further and say to the packing industry that they must pay the farmer a set price for his product, instead of allowing a discrepancy of a cent or a cent and a quarter a pound to exist.

I might refer to the agreement in connection with cheese, under which the price is fixed at fourteen cents a pound f.o.b. Montreal or other point of shipment. Since that agreement was entered into a fairly constant price of about 13⅜ cents a pound has obtained on the cheese boards. If that price holds at around 13⅜ cents, I cannot see why the same thing should not apply to the hogs produced by our farmers.

Mr. GARDINER: Britain is taking more cheese than we can supply.

Mr. TUSTIN: That is true; but there is no difference between the price of cheese for Canadian consumption and cheese for export, while there is a difference in the prices paid for hogs by the packers of this country. I suggest to the minister that if we are going to fix prices for bacon exported to the United Kingdom, at least the government should set the price which must be paid to the farmers by the packers.

Mr. SENN: It has been suggested by the hon. member for Victoria, Ont., and I think supported by the hon. member for Souris, that the deductions from the amount paid for bacon shipped to Britain should be divided pro rata among the farmers. Will it be possible to ascertain the number of hogs shipped by each farmer during the period of this deduction?

Mr. GARDINER: I do not think it would be possible to get the necessary information in order to make a distribution in that way, even if it were possible to find out how many hogs each farmer sold. A great deal of inquiry would be entailed, involving a considerable cost. I doubt very much if one could even associate the number of hogs a farmer sold with the bacon delivered either in Canada or in Britain, because such a large percentage of the hogs is consumed in some other way. I believe the only way in which a distribution could be made to the producers would be on the basis of the hogs sold in future. Probably the same persons would sell hogs, although perhaps not exactly the same number as in the previous year, but I think that would be as close as one could come to it in dealing with the bacon industry. I do not think there should be any great difficulty in arranging at each marketing point for the distribution to take place in connection with hogs coming to that point, although I think it would be impossible to deal with butcher shops and so on all over the country. I believe a distribution could be made on the basis of the sales next year, which would approximate the sales made by producers last year. Most farmers will go on producing hogs, although of course in some instances they may produce fewer or more. However, I think that is as close as we can come to it.

I had intended earlier to make one other observation, which I think I should make now in case I overlook it when the appropriate item is under consideration. Some five or six weeks ago Great Britain announced that the amount of bacon to be used in British homes was being reduced from eight ounces to four ounces per week per person, and a report went across Canada suggesting that this was due to the fact that Britain could not obtain sufficient supplies of bacon from Canada and other countries. We cabled immediately, asking the position and suggesting that we were able to supply considerably more bacon than Britain was taking at that time. We went further and stated that we would not insist on Britain paying the price called for by the agreement. We did not set a price for any further bacon to be supplied; we asked Britain to set a price if she were interested. We received a cable stating that she was not interested; that she was taking all the bacon she could take; that the quota then being imposed had been planned early in the war, or perhaps even before war was declared at all.

While I was home to dinner this evening I heard over the radio an announcement from the department of agriculture in Britain to the effect that they had on hand supplies sufficient to meet their needs for a considerable time to come. But they said they hoped that by winter time they would be able to increase the consumption of fats in Great Britain during the winter months under the quotas provided, in which case I presume they may be able to take more of our bacon supplies at that time than they can take at present.

I say this only to show that every attempt has been made to supply Great Britain with all the bacon she can take. We have even asked her to state a lower price, if she would be interested in a lower price. She said she would not be interested, and has indicated she would not be interested even in further discussion until the month of August. That was agreed to at the time the agreement was signed. I believe I ought to make that statement to hon. members, in order that they may understand that every effort has been made to place at Great Britain's disposal all of the bacon that she can use, even if it were placed there at a lower price.

The other point I wish to make is this: In respect of United States importations I would point out that we took action in that connection just as soon as it was possible to take action, after all the information necessary for action of that kind was available. The figures given by the hon. member for Haldimand at the beginning of the discussion were correct. There were large importations in January, and I believe they ran into the month of February. Just as soon as we were able to secure information upon which to base an appeal to the United States to permit of the setting of a quota, that appeal was made, and after some discussion the United States government agreed to it. The quota set has seldom if ever been reached, since the date it was set. In other words, there has been cooperation on both sides of the boundary line which has kept the importation of the United States product down to at least the quota—and I believe it has been below the quota every week since the arrangement was made.

Mr. PERLEY: I have listened with keen interest to the discussion respecting the marketing of bacon, and the vexatious question connected with the importation of vegetable oils. I would be remiss in my duty if I did not make some observations at this time. Westerners have received a crack or two from some hon. members this evening, even from one of my own associates on this side of the house, although I do not think he was referring particularly to me. I intend at this time to come to the rescue of the westerner.

We understand of course that Saskatchewan is not as keenly interested as the other provinces in dairying, but we are intensely interested in the production of live stock, and in the marketing of cattle and hogs. I can assure hon. members that the farmers of western Canada are keenly interested in and greatly concerned about the huge importations of vegetable oils which, we are told, amount to about 250,000,000 pounds a year. Last year I attended a meeting of dairymen, and the subject of the importation of vegetable oils was discussed at great length. I learn that at a picnic in Saskatchewan held recently and attended by dairymen of that province this question was discussed, and I received letters containing resolutions passed at that picnic in connection with the matter before us.

May I express myself as being in accord with my leader who suggested to-night that a quota might be arranged. We realize that trade agreements can be changed, and I suggest that the minister would be well advised if he were to consider a change in connection with the importation of vegetable oils. The further suggestion respecting a processing tax is in my opinion a good one. May I briefly associate myself with hon. members who to-night have stated that the importation of vegetable oils is a serious matter and one deserving honest and sincere consideration. I would point out that some of the suggestions made to-night have been worth while, and I should like the minister to consider them carefully.

Mr. WRIGHT: Mr. Chairman, I should like to take exception to the observation of the hon. member for Royal (Mr. Brooks) who said that the squeaky axle gets the grease. If he would look at the Sirois report he would find that the average income of the farmer in Saskatchewan for the past three years has been just two-thirds that of the farmer of New Brunswick.

However, that is not the only point at issue. This playing one group of farmers in Canada against another group is what is putting agriculture where it is to-day. We in the west are just as interested as are the people of New Brunswick in seeing that the latter get their mill feeds and other feeds at a lower price. The reason why they are not getting the advantage of that price is found in the fact that freight rates on export grain are much lower than rates on domestic grain. If those rates were regulated we would sell more of our grain to the eastern provinces and to British Columbia, and all would be better satisfied.

There have been times when corn could be imported from the Argentine to British Columbia and used by the poultry men of that province, because they could get it cheaper than they could get our wheat. That condition arose because of freight rates, and I suggest that this is a matter which should be carefully considered.

Item agreed to.

Marketing service.

25. Agricultural economics, $97,895.

Mr. CASTLEDEN: I note at page 73 of the estimates that ten officials of the department are described as agricultural economists. These men are receiving something over $32,900, and despite the fact that this is a war year, some of them are receiving increases in salary. I presume those are statutory increases. Would the minister outline the work of those economists?

Mr. GARDINER: The increases are of course statutory increases. Such increases have been made all the way through the service this year. Agricultural economists are the men who make inquiries into costs in connection with agricultural production in different parts of Canada. I presume the statement made a moment ago respecting information contained in the Sirois report, and in connection with agriculture in different parts of Canada would be based upon inquiries made by departmental economists. They make inquiries in all parts of Canada respecting costs of production, and returns received by farmers in different sections of the country.

Mr. MARSHALL: Was a conference of agricultural economists held last year? If so, who were the representatives from Canada, and where was the conference held?

Mr. GARDINER: There was no international conference last year at which there was any representation from this department. However, there was representation at a conference held in 1938.

Mr. MARSHALL: Where was the conference held?

Mr. GARDINER: At Macdonald college in Quebec.

Mr. MARSHALL: Is it the intention of the department to hold such a conference this year?

Mr. GARDINER: That conference of course was not called by the Department of Agriculture at Ottawa. It is held in different countries in different years. In view of the world war I presume there might be some difficulty in connection with arranging an economic conference of that kind at the present time. Last year an invitation was sent by the Canadian government to the international organization to hold the conference in this country, and as a result representatives from different countries gathered at Macdonald college.

Item agreed to.

[Mr. Wright.]

Marketing service.

26. Dairy products, $355,452.

Mr. TUSTIN: A moment ago I referred to the bonus price on cheese. As I understand it now, the United Kingdom government are ready to purchase a considerably increased quantity of cheese. I should like to know what endeavour is being made to encourage a greater flow of milk to the cheese factories in order that we may be able to produce more cheese. I should like to know also what score applies on grade one, which I understand is quoted at fourteen cents a pound f.o.b. boat, Montreal.

Mr. GARDINER: The basis of that price is score 92. A premium of one cent a pound is paid by this government for score 93, and a premium of two cents a pound for score 94, which increases the price of those grades of cheese. Information and publicity have been given out to the effect that Great Britain is prepared to accept more cheese. Encouragement was given by the act last year to improve factories, and the government agreed to pay a premium on the higher grades. I may say that we are a little hesitant to drive the matter as far as it might appear to be advisable at the moment. Great Britain has persistently insisted that she will not state a quantity which she will agree to take. We had some experience in connection with bacon. Great Britain agreed to take 5,600,000 pounds a week, and she actually took as high as 11,000,000 one week and 10,000,000 pounds in a number of other weeks. Some of our people became a little too optimistic and began to think that she was going to continue to take that amount throughout the whole year, and they went on to make arrangements accordingly. We do not expect to have the same results with cheese, but we hesitate to encourage the farmers to produce more. It does look as though cheese will take care of itself much better than any other product with which we are dealing at the moment.

Mr. COLDWELL: The farm broadcast at noon to-day stated that an inventory of the cheese resources of the dominion was being taken, to be divided between the amount available for export and the amount being held for domestic consumption. I wondered if some arrangement had been made with Great Britain to furnish an additional quantity of

cheese over a period of time. If that could be done, it would obviate the difficulties which we ran into in connection with bacon.

Mr. GARDINER: We have been making an effort to get an arrangement of that kind. As a matter of fact, the initiative to get the amount increased came from here rather than from the other side. We have been suggesting to them from time to time that we could increase the quantity, and we have now had word that they are prepared to take greater quantities. But they decline to state any specific amount, even for a month's time. They tell us to keep on sending cheese, to increase the amount, and they will be prepared to take it. But they are not prepared to enter into an arrangement to take a larger amount for any specified time. That is one of the things which makes us hesitate a little about preparing unduly for that market. At the same time, we would hesitate at the moment to do anything which might stop our farmers from increasing their production.

The representatives of all provincial departments of agriculture met to-day in the Chateau Laurier with representatives of the dominion Department of Agriculture, and meetings will be held for some days this week. These questions have been discussed, the idea being that the officials of the different departments will go back to their provinces and circulate any information which it is found possible to give them at this time in connection with farm products, and particularly those which we have been discussing to-night.

Mr. COLDWELL: Great Britain has entered into agreements with other countries in connection with sugar, coffee and so on. I feel sure it is the wish of everyone in Canada to supply Great Britain with what she needs in the quantities she needs, but in fairness to the agricultural producers I think that government should adopt some system in order that our economy may not suddenly find itself faced with large surpluses. These would cause a certain dislocation in this country and render a disservice, not only to Canada but to the whole commonwealth. I am glad to know that the first suggestion came from this side, but it seems to me that this government should impress upon the British authorities the need for a careful study and understanding in order to protect our own economy as well as theirs.

Mr. PERLEY: What cheese was imported into Canada during the first six months of 1940, and where did it come from?

Mr. GARDINER: The only cheese coming into Canada particularly at this time is fancy cheese which we do not produce. The quantity is small, and I understand it is even smaller than usual this year.

Mr. PERLEY: In the July letter which was in our mail boxes this evening it is stated to be about 800,000 pounds.

Mr. GARDINER: That would be a small amount.

Mr. FAIR: When entering into agreements with the British government in connection with cheese, pork and other products, does the government take into consideration the cost of production?

Mr. GARDINER: We take that into consideration as far as possible, but at the present time we feel we are fortunate if we can sell at the prices we are receiving, in view of conditions existing. We feel this is better than trying to press up the price. In connection with cheese, we feel it is to our advantage to have a greater volume, and the same would probably be true about bacon at the moment.

Mr. FAIR: The minister suggested a little while ago that the government had been negotiating with the British government to take more pork, even at a lower price. I was wondering whether they are getting too much at the present time.

Item stands.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Friday, July 19, 1940

The house met at three o'clock.

RAILWAYS AND SHIPPING

SECOND REPORT OF STANDING COMMITTEE—PRIVILEGE, MR. J. H. HARRIS

Mr. J. P. HOWDEN (St. Boniface): Mr. Speaker, the standing committee on railways and shipping owned, operated and controlled by the government, begs leave to present the following as its second report:

The standing committee on railways and shipping owned, operated and controlled by the government begs leave to present the following as its second report:

Your committee has considered the following items of the estimates referred to the committee on June 28, and approve the same, viz:

445—Maritime Freight Rates Act, Canadian National Railways, eastern lines, $2,000,000.

446—Maritime Freight Rates Act, Railways other than Canadian National Railways, $800,000.

458—Canadian National (West Indies) Steamships Limited, capital advanced, $21,000.

459—Canadian National Railway Company, $15,000,000.

460—Prince Edward Island Car Ferry and Terminals, $327,000.

Mr. J. H. HARRIS (Danforth): On a question of the privileges of this house in relation to the report which has just been presented, I should like to make one or two observations and have your ruling in the matter, Mr. Speaker. First, the report just read was not read to the committee in accordance with the terms of the reference; second, the report is incorrect inasmuch as it speaks of approval, whereas in the committee the approval was given on division; and in the third place, the order of reference most clearly recites that copies of the evidence shall be printed for the use of the members. The evidence of the proceedings of the last meeting held by the committee has not yet been printed and there has been no opportunity for the members to peruse the printed report. That is the question of privilege which I raise on behalf of the house, and when that question is disposed of, Mr. Speaker, I purpose raising a question of personal privilege as a member of the committee. I therefore suggest that this report ought to be sent back to the committee for further consideration.

Mr. HOWDEN: This is not the final report but merely an interim report. It was submitted to representative members of the committee from the various sections of the house. The final report is to follow.

Mr. HARRIS (Danforth): Speaking again to the question, I am advised that the hon. member for Cumberland (Mr. Black), the hon. member for Rosedale (Mr. Jackman) and the hon. member for Lincoln (Mr. Lockhart) did not receive copies of the report. Through the courtesy of the chairman I was privileged to see the report before it was brought in to-day.

Mr. SPEAKER: The house referred to the committee on railways and shipping, on June 28, resolutions 445, 446, 458, 459 and 460 of the estimates for the fiscal year 1940-41. The committee has submitted to the house a report approving these resolutions.

If this report is concurred in, these resolutions are adopted and there is no necessity of referring them to the committee of supply. The meaning of such a procedure would be that part of the estimates had been approved by the house without having been considered by the committee of supply. This is against the principle laid down in standing order 60 which provides that no resolution for public aid or charge upon the people may be passed by the house until it has been referred to a committee of the whole. The report of the committee on railways and shipping not only cannot be concurred in, but it cannot be referred to the committee of supply because there are in it elements of an instruction; and, as May and Bourinot point out, pages 524 and 418 respectively, no instruction can be given to the committee of supply, as it can only consider the estimates recommended by the crown. Moreover, even if a motion were allowed to be made either to concur in the report or to refer these resolutions, no debate or amendment could be permitted on it, as such a motion does not come within the scope of standing order 38.

I must rule that the select committee's report, which consists only in the approval of certain estimates, cannot be debated at this stage of the proceedings when the Speaker is in the chair. A motion therefore must be made to refer the resolutions as part of the total estimates to the committee of supply, which will be free to consider them, and also to discuss if necessary the select committee's report.

Mr. HARRIS (Danforth): I now rise to a question of personal privilege as a member of the committee. This report does not carry out the order of reference, and it does not give to this house what the reference demanded in the order of June 27, which said:

. . . report from time to time their observations and opinions thereon.

The "observations and opinions thereon" are not in any way in either of the reports reported upon. The matters discussed had to do with vital questions concerning this house and concerning Canada. It is clearly shown that since the Canadian National Railways had had six months' experience in which they had earned millions more than they budgeted for, the item of $15,000,000 is not required. It was forced through the committee on division, and this report did not mention anything of the division. It was also deposed that we were committing Canada's dollars—

Some hon. MEMBERS: Order.

Mr. SPEAKER: I understood the hon. member wished to speak to a question of personal privilege. He is not entitled to enter into a discussion of the merits of the report or give particulars with regard to the stand that might have been taken in the committee.

These matters, as I have already indicated in the opinion I have given, may be discussed on the floor in committee of supply when the report goes there.

Mr. HARRIS (Danforth): If I may be permitted to refer to rule 38, debatable motions, paragraph (m):

. . . and such other motion, made upon routine proceedings, as may be required for the observance of the proprieties of the house, the maintenance of its authority, the appointment or conduct of its officers, the management of its business, the arrangements of its proceedings—

Mr. SPEAKER: Order. What the hon. member is referring to may be perfectly correct when there is a motion before the house, but there is no motion before the house now.

Mr. HARRIS (Danforth): I conclude, then, by saying that my personal privilege as a member of this committee is infringed in that the effect of our deliberations is precluded from reaching this chamber in the way it ought, and this reflects on me as a member of this House of Commons, by conveying the impression that I as a member of the committee approved of a report of which I did not approve.

PRINTING OF PARLIAMENT

RECOMMENDATION IN FIRST REPORT THAT CERTAIN DOCUMENTS BE NOT PRINTED

Hon. R. B. HANSON (Leader of the Opposition): Yesterday the hon. member for Chambly-Rouville (Mr. Dupuis) presented a report from the joint committee of both houses on the printing of parliament. It is set out on pages 231 and following pages of Votes and Proceedings. It includes a long list of documents, with the recommendation that none of these be printed. I am of the opinion that on principle a good many of these reports need not be printed, but I wonder if we could not make some arrangement in respect to this list and perhaps have a list agreed upon, because in my opinion some of these reports should be printed. Some of my friends have taken exception to the terms of the report; concurrence has not been moved, so that as yet there has been no opportunity to debate the matter. The government might provide some opportunity for discussion of the matter; or we might have a conference on it.

Right Hon. W. L. MACKENZIE KING (Prime Minister): I shall be glad to look into the matter and have a word with my hon. friend regarding it.

CLOSING OF BURMA ROAD

STATEMENT OF LORD HALIFAX AS TO CANADA BEING KEPT INFORMED

On the orders of the day:

Mr. M. J. COLDWELL (Rosetown-Biggar): I should like to direct a question to the Prime Minister (Mr. Mackenzie King), notice of which I sent this morning. According to to-day's papers, Lord Halifax, replying yesterday to a question in the House of Lords, said that Canada has been kept fully informed of what his majesty's government had in mind when considering the closing of the Burma road. Are we to infer from this statement that the advice of the government of Canada was sought and given in regard to this situation, which may profoundly affect future relations in the Pacific? If so, what advice was given to his majesty's government on behalf of this dominion?

Right Hon. W. L. MACKENZIE KING (Prime Minister): The government was informed of the views of the British government with respect to the closing of the Burma road, but no advice was tendered by the government of Canada to the government of the United Kingdom.

Mr. HANSON (York-Sunbury): Was any asked for? That is part of the question.

Mr. MACKENZIE KING: No. There is usually opportunity for comment on any communications that come from the United Kingdom government, and there was in this case. If the government of Canada had felt at the time that it was advisable to comment, it would have been done, but no comment was made.

UNEMPLOYMENT INSURANCE

FUND TO BE ADMINISTERED BY COMMISSION ASSISTED BY ADVISORY COMMITTEE—PROVISION FOR EMPLOYMENT SERVICE

Hon. N. A. McLARTY (Minister of Labour) moved the second reading of Bill No. 98, to establish an unemployment insurance commission to provide for insurance against unemployment, to establish an unemployment service and for other purposes related thereto.

Hon. R. B. HANSON (Leader of the Opposition): I had assumed that the minister would take this opportunity to make some further observations with respect to this bill; but since he has not risen I feel it incumbent upon me to occupy a brief period of the time of the house.

As I said the other day, in my opinion no more important measure than this has come before parliament for a long time; and by way of a personal explanation in regard to what may be considered an ineffective discussion on my part with respect to the principles and details of the bill I may say at once that I have made really a brave attempt to master this measure, but I am afraid without any great success. In ordinary times ample opportunity would be given for study and discussion of a measure of this kind, even though it were intended that the bill should be referred to a special committee. I am not finding fault with the decision to endeavour to get this bill through, but in my view the time permitted for study and discussion is wholly inadequate. Notwithstanding that fact, in view of the approach of prorogation I think I at least should not be responsible for any further delay, and therefore I shall proceed to make my contribution to the discussion of this measure.

The underlying principle of the bill is pretty well established. There has been a good deal of discussion about it in the public press; and of course five years ago there was a very great deal of discussion and study of this important problem. A number of notable changes have been made in the method proposed, however, and the entire construction of the bill is so involved that it is most difficult, at all events for me, to interpret what these proposals really mean, with respect to administration and other important features. As far as I can gather from the bill, there are a few main principles involved. First, there is the fact that insurance benefit is a right established by contributions previously made, and in no sense a form of relief. I do not intend to labour that point because I think it is elementary, fundamental and fairly well known. The benefits are to be in proportion or relative to the contributions made, and at the same time they will entitle a low paid worker to receive a relatively high percentage of his wages. In the second place, weekly insurance benefits are not to be as great as or greater than normal weekly earnings, and of course that is fundamental too. They could not possibly go beyond normal weekly wages. The third principle involved, which to me is a vital principle, is that the normal standard of living of the wage earner is to be protected. I think that is highly desirable.

[Mr. McLarty.]

Certain things in the bill are quite clear; for instance, the insurance benefits and the statutory conditions. Section 28 of the bill sets out the statutory conditions for the receipt of benefits by an insured person, who is subject to the four conditions there enumerated. The first of these conditions is that contributions shall have been paid in respect of the worker while employed in insurable employment for not less than 180 days during the two years immediately preceding the date on which a claim for benefit is made; second, that the wage earner has made application for an insurance benefit; third, that he prove that he has been employed each day he claims to have been employed, that he is capable of and available for work but unable to obtain suitable employment; and fourth that he proves either that he duly attended or had good cause for not attending any course of instruction or training approved by the commission, and so on.

In that connection the only variation from the act of 1935, so far as I am aware, is that under the present measure contributions will have to be made for a period of not less than 180 days, while under the previous act contributions were to have been made for not less than 40 full weeks. I assume those would be weeks of six days, making 240 days in all. These contributions were to have been made before a person would be entitled to receive benefits under the act. There is a substantial difference in this regard, and when the minister comes to speak on this motion for second reading—if he does—I hope he will give the house and the country good and sufficient reason for reducing the period from forty weeks, or, if I am correct, 240 days, to 180 days. I make that statement because in my opinion—and since I am rather asking for information than making an assertion I should like to be corrected if I am wrong—this may operate with respect to the actuarial soundness of the measure.

Mr. McLARTY: Does the hon. gentleman wish me to refer to that now?

Mr. HANSON (York-Sunbury): No, I would prefer to have the minister just make a note of that. This is the first point on which I am asking for information. I am not raising this question in a controversial way at all; in fact I am not raising any questions concerning this measure in a controversial

way. It is too important for that. Since the principle is acceptable to me, at all events, and I hope to the country, in my opinion we should not approach the consideration of this bill in any controversial spirit. Rather we should bring to bear all the calm, judicial ability we may possess, and for the most part my consideration of the measure will be from that angle and not otherwise.

The second query I desire to direct to the minister is this. Are the provisions relating to the setting up of the advisory committee as wide as those contained in the act of 1935? As I read the provisions, they are not as wide. In the act of 1935 the advisory committee, in my view and I think in the view of those who studied the measure most carefully, constituted the chief guarantee of the continuing actuarial soundness of the scheme. If in any way that has been impaired, then I think it is a pity. Before the bill emerges as legislation, consideration might be given to that factor.

My third query is in the nature of a safeguard to the public and to investing employers and employees—if in that connection I may use the term "investing". Has a qualified actuary certified to the soundness of this bill? It is my information that under the 1935 measure the opinion of a qualified actuary of high standing in Canada was sought. I believe, too, that actuaries from the insurance department gave similar certificates.

The bill provides for administration by three commissioners to be appointed by the government, a chief commissioner, and two others, one to be appointed after consultation with labour and the other after consultation with industry. The chief commissioner is to hold office for ten years, the other two for five years. Under the old measure each commissioner was appointed for ten years, because continuity of service was considered desirable. It was believed that if the administrators were men of the calibre they ought to be, their time should not be limited to a five-year period. There may be good reasons for the variation in the present instance, but so far those reasons have not emerged. I have no doubt the minister will make some observations in that connection.

To a great extent the success or failure of this measure will depend on how it is administered. As I stated the other day when we were discussing the resolution, in Canada this class of legislation is necessarily an experiment. It is true that in instituting the scheme we are guided by the experience of other nations; nevertheless so far as Canada is concerned it is an experiment, so that one cannot insist too strongly that the men to be appointed to the commission shall be men in whom the public have the greatest confidence. Their duties will be not only administrative but judicial or quasi-judicial; therefore they must be men having very high qualifications. The greatest care must be exercised in their selection. I hope the Prime Minister (Mr. Mackenzie King) and the Minister of Labour (Mr. McLarty) in making the selections will not be guided by political considerations. I am not suggesting they intend to be, and I wish to make that clear. But in setting up a board which will have to deal annually with $75,000,000, I invite them most earnestly to select not only executives of administrative and judicial ability but executives whose characters and qualifications shall be of the highest.

I do not know what the government propose to pay these men, but the salaries should be adequate and commensurate with the responsibilities attached to the office. In that connection I would point out that for the most part Canada has never paid high salaries—of course there are some notable exceptions. For instance, in order to obtain the services of a good man to head the Bank of Canada we had to go to a high executive of one of our own banks. A gentleman from the United Kingdom was not considered *persona grata* to head a Canadian institution, if one could judge from some of the observations made from certain quarters in the house at that time. Perhaps that was a sound principle. Perhaps it was wise not to go outside our own borders to obtain the services of able executives. But if we want them we must pay them. My only quarrel with respect to the public service has been that we have had too many, but perhaps we did not have enough in the higher brackets who could do the work they were called upon to do. Certainly in many instances we have not paid them adequately. During the time I have been a member of the House of Commons we have lost to Canada many men with high technical qualifications and scientific attainments because we did not pay them adequate salaries. If we could save something in one respect, we might make up for it in the other respect to which I have alluded. In fixing the salaries of these men we should not be niggardly, and we should see to it that the men appointed are fully capable of filling the positions they will hold. I earnestly suggest that they be paid decent salaries. Corporations have dealt with this problem and solved it satisfactorily. One of the reasons why we cannot get men of high

character and ability to enter public life in Canada is that the financial rewards are not adequate.

Of course there is another reward for public service. I agreed one hundred per cent with the Prime Minister when on one occasion he said that service to the state in a legislative capacity is the greatest service which any man can perform for this nation. I hope that idea will grow among our people. I say that because in days gone by a sneering attitude, if I may use that expression, has been taken towards public men. The term "politician" in some respects and in some quarters—I hope not in all—has become an epithet of disrespect. I am sure every hon. member within the sound of my voice will agree that that ought not to be so, and I hope we may do something to educate the people in that regard. Therefore when the board is set up I trust the Prime Minister will give every consideration to the matter to which I have referred.

May I venture to add one further word in this respect? Under the previous measure Colonel Harrington of Nova Scotia had been appointed chief commissioner. No better appointment, at all events at that time, could have been made. Colonel Harrington has made a life study of social conditions and social legislation. He is now in private life; he is detached, politically, and to me at all events his appointment would be an ideal one.

If I recollect aright, Mr. Tom Moore was appointed as the representative of labour. I venture to say that a more fitting representative of organized labour could not be found throughout the length and breadth of Canada. I know that he was prepared to give his best services when he was appointed five years ago. I suggest that consideration be given to the appointment of Mr. Moore or some other gentleman of like calibre. I do not want the Prime Minister to think that I am nominating an unemployment insurance commission for him; that is not my intention, but I feel we should have that type of man as a member. As far as Colonel Harrington is concerned, I always thought it was a pity that Canada lost his services.

I should like to know the weight of unemployment used in arriving at the actuarial basis of this bill—I understand that term to mean the average unemployment over a given period of years. Under the 1935 act the average unemployment over a period of years was computed at 11·5. The view was expressed at the time by certain persons that that percentage was not large enough for actuarial computation purposes. In my judgment this bill should and must provide for what will probably be a tremendous dislocation at the end of the war, a dislocation much greater than was anticipated in the semi-depression period of 1935. I hope I am mistaken, but that is my view. If I should prove to be right, it would be better if the weight of unemployment were made greater.

By section 7 of the old act the insurance commission was directed to make investigations in order that proposals might be made to the government, first, with respect to providing for the extension of insurance to excepted employments, and, second, with respect to making provision for the assistance, during unemployment, of persons ordinarily employed in any of the employments excepted from the operation of the act or ordinarily employed in insurable employment but who for the time being were not entitled to unemployment insurance benefits under the act. In the operation of this bill it will be found that that class of person will crop up, especially if industry happens to slow up and unemployment increases.

By a third provision of section 7 of the old act the commission was instructed to make investigations for the purpose of making proposals for providing, in cooperation with educational authorities and institutions, or otherwise, physical and industrial training with a view to maintaining or increasing the physical fitness, skill and efficiency, or enlarging the knowledge of men engaged in an industry in which they normally seek employment. Of course that is a wholly desirable thing to do. It would permit men to improve their status in the trade or industry in which they are employed. This is especially true since we seem to have done away to a large degree with what was known as the apprenticeship system. So far as I know, in my part of the country the apprenticeship system exists only in connection with the mechanical trades employed in the railway shops. The responsibility for this must rest upon our educational authorities, and also upon parents. I suppose every parent likes to see his son in a white collar job, but labour in a shop or trade is just as dignified as the work of a clerk behind a counter.

An hon. MEMBER: Better.

Mr. HANSON (York-Sunbury): My hon. friend suggests that it is better. I suppose this is a psychological effect, largely the result

of education. Perhaps it would be better for this country if we could get back to what I would term first principles.

Mr. REID: The dignity of labour.

Mr. HANSON (York-Sunbury): There is such a thing as the dignity of labour.

Mr. McIVOR: A dollar goes just as far no matter how it is earned.

Mr. HANSON (York-Sunbury): I do not know that the observation of my hon. friend is relevant. The commission under the 1935 act was to undertake investigations for the purpose of making proposals also with regard to the training and instruction of men in some occupation, trade or handicraft, or employment in any work, having regard for their capacity, training and experience, with a view to rehabilitating them for regular employment. Under the same section, the old commission was instructed to make investigations with respect to schemes of assistance. The intent of that section was that the work of the commission should not be limited wholly to administration, but that it should make investigations with respect to the extension of the principle of unemployment insurance and of employment itself. I may be wrong, but after examining the present bill as carefully as I could in the limited time at my disposal, I gather that that whole section has been omitted from it.

The next topic I should like to discuss—I must confess that I have not attempted to correlate the different topics—is the appointment of officers and other employees of the commission. Section 10 of the bill states:

> Such officers, clerks and other employees as are necessary for the proper conduct of the business of the commission shall be appointed or employed in the manner authorized by law.

What law? What is the meaning of that term "authorized by law"? Is it the law of to-day, of to-morrow, of next year or of ten years from now? That should be made clear. Under the 1935 measure the officers, clerks and employees of the commission were to be appointed by the civil service commission. That may not be the ideal method of appointment, but in 1935 it was, so far as I am aware, the only feasible method save and except appointment by the government. It may be said that appointments will be made by the commission itself. But that means appointment by the government, because when appointments are made by a commission that is under the control of the government, as this commission by and large will be, those desirous of appointment will bring pressure to bear upon the member of parliament supporting the administration. Members of parliament are just as human as anybody else and, willy-nilly, think in terms of votes and the reaction upon themselves. So that unless the applicant is wholly unfit for the position for which he is applying, and unless the member has a good deal of backbone and is inherently honest, he is bound to write a letter of recommendation to someone in authority to see that John Jones or Tom Brown gets a job with the unemployment commission.

I shall not repeat what I said the other day with reference to civil service or government employment, but unless the phrase "in the manner authorized by law" is clarified, to me it is not clear what the appointing power will be. The minister should give us a clear statement in this regard.

Subsection 2 of section 10 provides:

> The commission may, subject to the approval of the governor in council, from time to time temporarily employ such persons of technical or professional attainments as the commission may deem necessary.

This provision was in the 1935 act. It relates entirely to persons of technical or professional attainments. There may be difficulty in having this class of employee appointed by the civil service commission or in the manner provided by subsection 1 of section 10. The previous administration in setting up its measure adopted this method of appointment of temporary employees of technical or professional attainments, and the government has seen fit to follow that course. It may not be the best method, but at all events it is a method that occurs to one as being proper having regard to the type of the men to be appointed.

A provision in the previous measure relating to national health has been omitted from the present bill. Of course national health is an important matter, but it may be held that it is not strictly relevant to the question of unemployment insurance. With that view I have no particular quarrel, but it was suggested to the government of the day that it was a proper topic to be considered, and perhaps the minister can give good reasons why a similar provision has been omitted from this bill.

I want to deal for just a moment with the question of excepted employments. In part II of the first schedule of the 1935 act the excepted employments comprise eighteen different categories. The same list of excepted employments appears at page 34 of the present bill, except in one important particular. In

paragraph (m) of part II of the first schedule of the present bill, a limit of $2,000 a year of earnings is imposed, as it was in the same paragraph in the previous act, but on a different basis. I hope the minister will explain just what is meant by this provision. I shall not take the time to read the two and compare them; the minister knows the point much better than I do.

Mr. McLARTY: Has the hon. gentleman in mind the distinction drawn in the 1935 act and in the present bill as between manual and non-manual labour?

Mr. HANSON (York-Sunbury): I have not analysed it sufficiently to give the house the benefit of my views. The minister can do it very much better than I can, and that is what I am inviting him to do at the moment.

In his speech on the resolution the minister estimated that the act would cover 2,100,000 wage earners by 1941. According to the statement given, the cloak of insurance benefit will be spread over some 4,660,000 people. I take it the minister does not mean by the latter figure that it is in addition to the 2,100,000 wage earners, because it would be ridiculous to suggest that this measure will spread the cloak of insurance over a body of six and three-quarter million people out of a total population in Canada of perhaps less than twelve millions. I should like the minister to give the basis upon which that estimate was made.

The exceptions in the first schedule, part II, cover such a wide range of employment that I am at a loss to understand how it can be claimed that more than half of the earning population of Canada will be contributors under this measure. The excepted employments cover employment in agriculture, horticulture and forestry; employment in fishing; employment in lumbering and logging, exclusive of such saw mills, planing mills and shingle mills as are reasonably continuous in their operations. In my part of the country those employed in lumbering and logging, saw mills and planing mills are nearly ninety-nine per cent seasonal workers. The only reasonable exception would be workers in planing mills, and that only if woodworking factories were included in planing mills. I should think that a planing mill is ancillary to a saw mill. At all events I have stated how they are operated in New Brunswick.

Employment in hunting and trapping, the next exception, is such that it could not come under this measure, nor does the measure cover those engaged in transportation by water or by air or in stevedoring. I regret that some provision could not have been made to include under this bill those engaged in stevedoring, particularly at our Atlantic ports. There they work continuously from five to six months of the year, and during the remaining six or seven months they work intermittently; but there is always something doing in a port like Saint John with respect to the employment of stevedores. I hope that stevedoring will be left out of the excepted employments. I am afraid there will be a good deal of dissatisfaction at their being omitted from the benefits of this measure. There may be a good reason for omitting them; at any rate I hope that when the commission is appointed it will consider including that class of the population, who, in my opinion, could with some advantage to them be brought under the provisions of the bill.

Then there is a long list of employees who naturally would not come under the measure—domestic servants, nurses, teachers, those engaged in the active militia and so on. A very large part of the employed public will not come under the bill. I suggest to the minister that he indicate the basis upon which the computation to which I have referred was made. I have no doubt he has that information at his command.

Personally I have never been able to understand why employment in certain occupations in Canada which are not really classed as industrial should be brought within the purview of such a bill, unless it be to get their contribution. I cannot for the life of me understand why employees of the chartered banks should be included. They work twelve months of the year; they are never laid off, and they are in receipt of—well, moderate salaries. That may not be agreed to by everyone, because in days gone by we have heard a good deal about the poor salaries paid by banks. But bank clerks never have any difficulty in getting employment; the banks can always fill up the ranks. I do not know why this class should be included in any unemployment insurance scheme. No one has ever been let out of a bank because there was no work to be done. Moreover, the banks have a fine contributory system of pensions which is invaluable to them. I am sure that as a class they will object to being included in such a scheme because they will pay into it during their lifetime and never, so far as I know, will they reap any benefit from it unless they are let out, shall I say, for dereliction of duty. There is really no good reason for their inclusion. They are in the category of safe industries. I suppose the theory upon

which they are included is this. It is contended that as wage earners or salaried people they should contribute to the safety and the upbuilding of the standards of living of their less fortunate fellows. If it is determined, as it was in the old act, to keep them in, that is the only basis on which, in my judgment, it can be justified.

With regard to the question of the rates of contribution, in the 1935 act the rates were on a weekly basis ranging from twenty-five cents by employer and employee to seven cents for boys and six cents for girls of the age of sixteen and under seventeen. Under the new bill an entirely new basis is set up, as provided by section 17 on pages 5 and 6 of the bill. The change should be clearly explained, and we should know what the effect will be in terms of dollars and cents on the funds to be set up and what its effect will be on the soundness of the measure from an actuarial point of view. For according to the theories I have formed on the basis of such information as I have been able to obtain, the scheme sooner or later will be in trouble unless there is strict adherence to the principle of soundness.

A word with regard to the contributory principle. My view is that this is absolutely sound. Any other policy would be suicidal and would not commend itself to the country. I know the minister may find opposition to that principle in certain quarters. I am sorry to say there are in this country people who think that the state owes them a living. The sooner they get away from that idea the better. I controvert that principle and I have never ceased to controvert it throughout the ten years in which such difficult economic conditions have prevailed. But I do suggest that the state does owe to its citizens the right of opportunity to make a living—perhaps I should limit that to the right to make a living. These, however, are the people who should be encouraged to practise the old-fashioned virtue of thrift, to lay up something for the proverbial rainy day. We have not preached that enough in Canada.

I assume that the whole answer to the question of those who are asked to contribute in the safe employments is this: Looking at the whole picture, and having regard to the desire to secure and maintain fair and humane conditions of living for a large class of our people, those who are more favoured will have to make some sacrifice for those less favoured. And we have reached the stage in the history of this nation when we have agreed that it is necessary to secure and maintain fair and humane conditions of labour for our industrial population. It is therefore desirable on balance that while there are inequalities in such a measure we should adhere to the principle of insurance.

In referring to the question of cost the other day, I suggested that industry will be asked to pay $50,000,000 into the fund during the first year of operation of the act. The announcement emanating from the department now indicates that the cost will be in the neighbourhood of $72,000,000.

Mr. McLARTY: Oh, no.

Mr. HANSON (York-Sunbury): Well, add them up: $28,000,000 contributed by the employees, $28,000,000 by the employers, $11,000,000 odd from the government, $5,000,000 for cost of administration, which will steadily mount. Let me renew the admonition I gave the Prime Minister the other day. Unless the scheme is actuarially sound, there may be a deficit which the government will be called upon to meet and the general taxpayers will be asked to dig down into their pockets. The farmers, who can ill afford to pay any additional taxation, will be asked to contribute to this scheme.

This is a substantial sum of money to be taken from wage earners and industry in this time of war, especially when we consider that we are taxing hundreds of millions of dollars from the people for our war effort, and when we bear in mind the deficit of the national railways, which fortunately is steadily diminishing under present conditions, and the unknown number of millions in connection with wheat marketing operations. Just where that will lead us in the coming year I do not know, and I do not think the government knows either, but it must be a headache for anyone who has anything to do with it. If on the other hand we can be assured as a nation that unemployment insurance will end unemployment relief, upon which the nation has expended a billion dollars or more in the last ten years, I am certain that as a nation we shall be far better off. But I am afraid that expectation is utopian.

Mr. MARTIN: It is impossible.

Mr. HANSON (York-Sunbury): I am inclined to agree, although I did not like to put it as strongly as that. But if we have unemployment relief in the coming years or after the war on a scale comparable to what we have had in recent years, and have to bear the burden of unemployment insurance levies as well, some people are going to be sadly disillusioned.

I have tried to offer some contribution to the discussion of this most important measure. I am glad the Prime Minister has decided to move that the matter be referred to a special committee; it will save the time of the house. I regret that personally I could not serve on the committee; I should have enjoyed the work. I think the best contributions I have ever made to the work of parliament were made in the select standing committees; I look back with some degree of satisfaction to the service I gave to the country in that connection. I hope the committee will give the careful study to this measure that it deserves; that they will deal with all the provisions of the bill relating to administration, and make recommendations to the house if they are not in accord with the provisions of the bill, and that the bill will come back to this house with a report upon which we can take intelligent action and complete the legislation. I hope the committee will call into consultation representatives of trades and labour organizations, boards of trade, manufacturers and industrialists—all who will be vitally affected by this measure, and get their views. I hope the committee will also be given power—I have not examined carefully the notice of motion the Prime Minister has on the order paper—to take independent advice from technical men even if it costs this country something in the way of retainers and fees.

I commend the principle of the bill. I have tried to make such criticisms as have occurred to me, although much of what I have said may be already in the minds of hon. members; if so, I apologize for trespassing upon their time.

Mr. J. R. MacNICOL (Davenport): As one who has perhaps made as long a study and survey and investigation as any one into the operation of unemployment insurance in every country in which such insurance is in practical operation, I cannot let this bill pass second reading without speaking briefly.

First I feel that I should extend a word of praise to several men who are not now in this house, some because they did not care to run again, others because they were defeated, and one is unwell. These men, throughout the eleven years that I have been here and for several years before, I have known of as active in regard to this matter. The leader of the Cooperative Commonwealth Federation (Mr. Woodsworth), who is ill, did a very great deal, in season and out of season, in his advocacy of unemployment insurance; unstinted credit is due to him for the part he played.

[Mr. R. B. Hanson.]

I wish to refer also to Mr. Heaps, who formerly represented Winnipeg North. Years ago Mr. Heaps introduced resolutions on this subject in this house, and I always listened to him with a great deal of interest because he was earnest in what he advocated. I am glad to hear that he is now with the Department of Labour, perhaps on this very work. Another man, also I believe in the Department of Labour, who when speaking on this subject in this house always showed good sound sense, was Mr. Humphrey Mitchell, who represented Hamilton East. Hon. Wesley Gordon spoke on it very effectively; also Doctor Stanley, who represented Calgary East, and the former leader of our party, the Right Hon. R. B. Bennett. Tribute should be paid to these men who are not here. The hon. member for Comox-Alberni (Mr. Neill) deserves great credit, also the hon. member for Vancouver East (Mr. MacInnis). The Prime Minister himself (Mr. Mackenzie King) has been an advocate of this principle for as long as I can remember. He is in the house still, thank heaven. I am a very warm friend of the Prime Minister, and I am always pleased to see him, for more reasons than one. There are others I might mention, some of them on our side, but these are all whose names come to my mind at the moment.

I should mention some labour papers; I shall select two, although I know there are others. The *Labour Leader* of Toronto has persistently and consistently advocated unemployment insurance for fifteen years or more. I believe the Stevenson Brothers operate that paper. I say this because I am happy, in the realization as I am sure all these people are, that the long battle to enact in this country an unemployment insurance law will most fortunately end in the legislation that I hope will be passed at this session and go into operation as rapidly as possible. In Montreal there is another labour paper, the *Labour World*. I might also mention one who consistently writes in that paper, one who has given to this subject most extensive study, Bernard Rose, K.C. I hope he is well; I have not seen him for some time. He is a barrister, and as my leader said in suggesting commissioners, if the department finds it necessary to employ a barrister I do not know of anyone better acquainted with the whole subject of unemployment insurance from its very early stages than Bernard Rose, K.C.

My own studies of this matter have given me a great deal of joy. I have sat in the labour offices in the capitals of all the countries that now operate practical unemploy-

ment insurance. I have sat in the branch offices in their main cities and watched the operation, and have seen the unemployed coming in with their cards, which I illustrated on a former occasion. I am firmly convinced that this is one of the finest pieces of legislation that has been introduced in this house. I have no fear whatever that it will not give satisfaction. Similar legislation has given eminent satisfaction in the old country. Of course I realize that we have to creep before we walk. The government is perhaps not bringing in as complete a measure as they may make it five years hence if they are still in power; they will find opportunity to improve it. That was the experience in Great Britain, where they adopted unemployment insurance in 1911. At that time the scheme covered only about two and a half million workers, while to-day it covers about twenty million, including a long list of workers not mentioned in our act, I presume for good reasons. I concur in what the government is doing, in not trying to run the whole gamut at once but rather in establishing the principle and getting it in operation, just as they did in England. As the minister has said, the present bill will cover only 2,100,000 workers, but I have no doubt that before many years pass our unemployment insurance scheme will cover many more than that. I have every confidence in the principle and am more than delighted to know that this measure is going through.

There is one point I might mention, though it is not included in the bill and no one else has said anything about it. I presume the government will take into consideration the many companies that now have systems of unemployment benefits, workmen's compensation and so on. This was done in the United States and in England. When the 1911 bill was enacted in Great Britain the government cooperated with the great labour unions and companies that had their own out-of-work schemes. As a matter of fact the British labour unions deserve the entire credit for having unemployment insurance legislation enacted. Previous to that legislation being passed the great labour unions had their own out-of-work benefit schemes, or unemployment insurance as it is called to-day, with fairly substantial financial backing. Then when the British government took over the system the labour unions were able to give the government the benefit of their experience, which proved of great assistance. I have no doubt whatever that the minister will cooperate with any of the companies in this country that have initiated their own schemes of this kind.

I have studied this bill very carefully and compared it with the bill passed in 1935. In general it is pretty much the same, though there are a few differences and one or two new provisions. There is one thing which I have not found in any other unemployment insurance measure; that is the staggered rate of contributions. I see the minister shakes his head. Under this bill the contributions are based on the wages received, whereas under the bill of 1935 the contribution of a worker twenty-one years of age and up, for example, was on the basis of 25 cents from the worker, 25 cents from the employer and 10 cents from the government plus all administration costs. At that time I thought this would make the effective contributions about 25 cents, 25 cents and 25 cents, which compares with the rate in England—above 21 years for males, unless it has been changed recently—of 20 cents from the employer, 20 cents from the worker and 20 cents from the government. This scheme is somewhat different, since it is based on seven different wage schedules ranging from a minimum of $5.40 a week to a maximum of $38.50 per week or approximately $2,000 a year, which was the maximum established in the 1935 bill. I have no reason to criticize this change; it may or may not be an improvement, and time alone can tell.

It appears to me that the benefits under the British bill are and under the 1935 bill were a little better than those proposed under this measure, and of course there may be some reason for that. For instance, if we look at the second schedule on page 35, class 5, which deals with workers receiving from $15 to $20 a week, which I believe would cover the great majority of ordinary workers in Canada, in Great Britain a worker with a wife and four children coming within this category would receive $10.36 per week while unemployed. That is on the basis of $4.14 for the father, $2.19 for the mother, and 49 cents for each child, plus 25 per cent. Under this bill, however, the husband, wife and four children would receive only $9.60, if I have it figured out correctly. In other words the present bill does not give a large family the benefits that would have been paid under the old bill, or that are paid now under the British bill.

Mr. McLARTY: I wonder if my hon. friend is bearing in mind the eighty per cent limitation contained in the former bill, which provided that in no case, no matter how many

dependants there might be, would a benefit be paid in excess of eighty per cent of the wages received. That would make a substantial difference in the various categories.

Mr. MacNICOL: The worker receiving $20 a week still would not receive more than 80 per cent. Under the United States measure a worker receives up to 50 per cent of his wages or $15 per week, whichever is the greater. Under this bill the worker, his wife and four children would receive only $9.60; under the 1935 bill he would have received $12.30 and under the British bill he would receive $10.36. However, I presume this staggered rate is based on some sound reasons, which I hope the minister will give us when he speaks again.

There is one feature of the United States bill which did not appear in the 1935 act and which is not in the present measure. As the minister well knows, in the beginning the federal government of the United States enacted what they thought would be an example unemployment insurance bill which might be adopted in every state. They said, "We will impose a three per cent excise tax on the wage rolls of all companies having eight or more employees. If the state then adopts a bill comparable with our example bill, we will return to the state 2·7 per cent of the contributions made by the state payroll, and retain ·3 per cent ourselves for the contribution we make to the operation of the unemployment insurance scheme."

They had another provision, however, known as the merit clause, which worked to the advantage of all concerned. The manufacturer was encouraged to organize his plant so that employees laid off would be at a minimum. In other words, under ordinary circumstances he might lay off a number of workers, but if under the merit system he hoped to come under the provisions of the measure he would organize his plant so that workers would not be laid off but be engaged in other departments. In this respect their measure strikes me as one tending to permanency in jobs, and with that feature of the United States bill I am in complete agreement. Perhaps the minister will point out something in this bill which would be comparable, although at the present time I have not succeeded in finding it. Briefly, manufacturers in the United States are encouraged to give more continuous employment.

Mr. REID: Do not the manufacturers pay all the compensation?

Mr. MacNICOL: The manufacturer pays for the worker, too; but of course he takes it off the worker's wage, although that does not appear in the bill.

The three chief systems are those found in the United States, in Great Britain and that now suggested for Canada. As I pointed out earlier, the system in the United States has the good feature of a merit clause which has the effect of encouraging the manufacturer to maintain continuous employment. The British system provides for standard contributions at the ratio of 20, 20 and 20, while the one now before this committee provides for staggered contributions.

Some one has asked: "Is this the time to enact an unemployment insurance bill?" I maintain it is. If we cannot enact it now, when can we enact it? Certainly we cannot enact it after the war, if at that time we have a vast amount of unemployment. And in passing I must say I believe the war will not be over for a while. There can be no doubt that if this war develops in any respects like the last one, in two years from now the men and women in this country available for jobs will have them, making war materials. We may have over again the same conditions which existed in 1917 and 1918. In my view, on that basis we should have in Canada at least one or two good years during which full wages will be paid, and when full employment will be available. During that time a vast amount of money will be laid aside through contributions. Many people have been discouraged from advocating unemployment insurance because of what was known as the dole. I never looked upon those payments in Great Britain as a dole. If Great Britain had not done what it did after the war she would have had a revolution, and in my opinion $500,000,000 is a small amount to pay to avoid a catastrophe of that kind.

Better than that, they have amended their act to the point where such vast surpluses have been accumulated that they have paid off, I am told, $100,000,000 in the last three years in respect of capital expenditures brought about by the dole. In my last trip to the old country I spent a good deal of time in the government labour office, and while there I was told that they were piling up money in such huge amounts under the operation of the unemployment insurance scheme, that within a very few years the $500,000,000 dole debt would be wiped out. In addition to that they are piling up funds until to-day—or at the time I was there—there was $225,000,000 of a surplus, in addition to what they had paid off the former dole.

Nothing will accumulate as rapidly as moneys paid under an unemployment insurance scheme. Just fancy 2,100,000 workers paying into the government coffers, under this

measure. Those 2,100,000 workers will pay in a lot of money in a year's time. If they are paying it in now, they are paying it when they are receiving wages, and those amounts will be laid up against their unemployment, if indeed they are unemployed at the close of the war. I hope even after the war is over whatever government is in power in Canada will have established some scheme under which the natural resources of the country can be developed, so that when our men return home there will be ample work for them to do. I am convinced that such a scheme could be put into operation. Perhaps our fears that many men will be unemployed after the war are all unfounded.

Let me offer a suggestion to the government. We have heard it said that another group of men may be inclined to hold up the passage of this bill. I wonder if hon. gentlemen from the other house could not be invited to send representatives to the committee of this house which is to discuss the measure.

Mr. MACKENZIE (Vancouver Centre): They will be invited.

Mr. MacNICOL: In that way the two houses could operate together.

Mr. MACKENZIE (Vancouver Centre): They will have that opportunity.

Mr. MacNICOL: They are entitled to recognition. In my judgment hon. gentlemen in the other house do a good job. In fact I do not know what we would do without the other house—and I do not mention it by name, although I believe all hon. members know what I mean.

I have spoken on this subject on many occasions, and it gives me great satisfaction to be in the House of Commons on the occasion of the enactment of a measure providing for unemployment insurance. I have spent fifteen years of my life advocating such a measure—eleven years in the house and four out of it. As I have said on other occasions, from long association with many thousands of men, and from having been in a position to observe what happens to them when they are laid off, I am a convinced advocate of unemployment insurance. I will not give details in this connection, because I have done so before. Let me state briefly, however, that anyone who has been associated with working men, anyone who has given employment to men, knows there can be nothing more heartbreaking than to lay off a man who has been employed by a company for ten to twenty-five years. I have known men to be laid off after employment of thirty-five years, and to have received nothing but the words, "I am sorry, old man, but I cannot do anything for you." If ever there was a piece of legislation to which the working people in Canada were entitled, certainly it is legislation bringing about unemployment insurance; and I am going to do my best to assist the government in putting this bill through.

Mr. ANGUS MacINNIS (Vancouver East): Mr. Speaker, before I begin the few words I wish to say in regard to this measure I should like to thank the hon. member for Davenport (Mr. MacNicol) for his kind observations in reference to the hon. member for Winnipeg North Centre (Mr. Woodsworth) who has not been able to be present for some time. May I thank my hon. friend, too, for what he said about a former member of the house, one who in the last parliament sat for the constituency of Winnipeg North. I refer to Mr. Heaps. Both of these gentlemen have, as he has said, for many years worked strenuously for legislation of this kind, and I am sure both of them will be pleased to hear of the generous tribute paid to them by the hon. member for Davenport.

It is not my intention to delay the house, nor do I intend to make an exhaustive analysis of the bill. I do not think that is necessary at this time. Speaking for the group with which I am associated, I would point out that we have now had an opportunity to read and to examine the bill. Although we do not consider it perfect, we do not intend at this time to indulge in any criticism of it. We realize it is going to a committee, and that is the proper place to make criticisms and offer suggestions. We should like to see in the bill certain provisions which are not in it; on the other hand we would prefer to leave out of the bill certain provisions which appear in it.

This bill follows quite closely the 1935 act for which I voted. Where changes have been made, I believe they show an improvement. The government have decided, quite wisely, to send the bill to a special committee. In that committee those who are in favour and those who are opposed to the bill will have an opportunity of making their representations. I am glad to see that the Minister of Labour (Mr. McLarty) is to be a member of the committee, and I hope that both the minister and the government will not allow the reference to committee to be used as an excuse for the postponement of the enactment of this legislation. The government should insist upon the house remaining in session until this measure becomes law. Those who will benefit have waited for this legislation for many years, and in my opinion the psychological and social consequence of a

further postponement would not be good. I am willing to stay here if necessary until the snow flies in order that this bill may be placed upon our statute books.

There are one or two points which I should like to stress in order to show the desirability of passing this legislation at this session. First, after the bill is passed it will take several months to organize the machinery necessary for administration. After contributions have begun to be made it will be thirty weeks, and perhaps longer, before the legislation will become operative in the sense that benefits are being paid. Even though we do pass the bill this year it will be late in 1941 or 1942 before any benefits are paid under it.

Second, all contributions made are to go into the unemployment insurance fund from which will be paid out any benefits. The employees' contributions, the government's contributions and the employers' contributions will go into this fund, and in addition the government is to pay the cost of administration. The leader of the opposition (Mr. Hanson) referred to the large amount of money which would be taken out of circulation each year, but I think that will be more apparent than real. In any event, it would be taken out only for a short time. Over a period of years all the money collected will be paid out in unemployment insurance benefits. While I am not an authority on these matters, I do feel that a time like the present when the government is anxious to curtail consumption, particularly consumption of an unnecessary kind, is the best time to build up a fund such as this. I think this should meet some of the objections being made to the bill. Objection has been offered by certain people who have never before shown much interest in the condition of the working classes. These people point out that the enactment of this measure at this time will bear heavily upon the low paid workers. May I point out that there is an easy way to get over that difficulty—increase the wages of the low paid workers. The leader of the opposition said that Canada has not been noted in the past for the payment of high salaries. We may not have been noted for the payment of high salaries, but we certainly are noted for the payment of low wages.

There is another reason why I want to see this bill pass. Any one who has gone to an unemployment relief office and has watched applicants for relief make their applications, be examined and very often be treated roughly by the employees of the office, will realize the degrading effect of unemployment relief. While this measure will not by any means put an end to the need for unemployment relief, it will take a certain number of people, how many I do not know, out of the category of relief recipients. When they become unemployed, instead of having to go to the relief office and have all their private affairs investigated, they will go to the unemployment insurance office, present their cards, and certain conditions being met, they will receive their unemployment insurance benefits as a matter of right and not as a matter of charity. That in itself is a great step forward. I hope the time will come when we shall be able to bring more of the excepted occupations under the operation of this bill.

There are many questions which I should like to ask because a number of sections are more or less obscure to me, but I think we can get all the information we desire in committee, and perhaps to better advantage than by asking questions of the minister across the floor. Not only will the minister be in the committee, but it is hoped that there will be present experts who understand the administration of a measure of this kind. As I said before, I hope the government will do everything possible to expedite the passing of this bill. As far as this group is concerned, we intend to assist in every way possible. We will try to improve the bill by offering advice, but we accept the principle and we want to see the legislation in operation.

Mr. PAUL MARTIN (Essex East): Mr. Speaker, two years ago the hon. member for Comox-Alberni (Mr. Neill) introduced a resolution calling upon the government to consider the advisability of taking such action as it has now decided to take. In seconding that motion I expressed at much greater length than I propose to do to-day my views with regard to this question. But I cannot escape the responsibility of dealing with this measure now because I represent in this house a constituency which possibly more than most constituencies in the country will be deeply affected. I am provoked for another reason to take part in this debate. The Minister of Labour (Mr. McLarty) comes from a county and a city that are also my own, and I know the house would not rob me of the privilege of extending to him congratulations both upon the manner in which he introduced the legislation and upon being in a true sense its father.

The hon. leader of the opposition (Mr. Hanson) in the two able presentations which he has given to the house, has made a number of observations on this bill which I think require some comment. It is highly desirable that the country should not be led into the position of thinking that this measure is capable of yielding something that it is not

capable of yielding. On the other hand no effort should be made to minimize its benefits. Speaking the other day, the hon. leader of the opposition said:

I think the country would like to have the most solemn assurance that the scheme will be actuarially sound, because if it is not, and there is a deficit, the treasury of Canada will be asked to meet the deficit.

No unemployment insurance scheme in any part of the world has yet been able to operate without calling from time to time upon the national exchequer for further assistance, and for us to assume to-day that there will in the course of time be no further demands upon the treasury is, I think, not to face realities. I would say to the hon. gentleman that in the course of time as this bill operates we shall experience what they have experienced particularly in England, because through circumstances which we cannot now anticipate the need will arise from time to time for calling on the exchequer to bolster up the fund.

Mr. MacNICOL: Does the hon. member not think they have passed that stage in England? They have raised their rates to such an extent that their scheme is on a sound actuarial basis.

Mr. MARTIN: That is a matter for argument. I can only say that in an article in the Yale *Economic Review* Mr. Keynes, writing on this aspect of the matter, stated what I have just now affirmed, namely, that since one cannot anticipate the character and extent of employment, it must be expected that from time to time variations in the contributions by the state will have to be made, particularly in view of the dislocation that is bound to follow the war. Any hon. member would indeed be bold to say to the house now, in reply to the hon. gentleman, that we shall not be called upon in this country to furnish more financial assistance than is at present contemplated. Moreover, when the leader of the opposition says that we ought to see that the measure is actuarially sound, I think there should be a clear understanding as to what is actually meant by the term "actuarially sound". If by "actuarially sound" is meant that we shall seek to establish a measure which will be actuarially sound in the sense that life insurance is, that is impossible in unemployment insurance because the nature of the risk in life insurance is altogether different from the nature of the risk in unemployment insurance. While it is laudable to try to make unemployment insurance actuarially sound, we must not be unmindful of the fact that it is impossible really to make it actuarially sound.

When the hon. gentleman asked the Minister of Labour if a certain authority on unemployment insurance had been engaged on this measure, I presume he was thinking of the eminent statistician and authority on this question, Mr. Wolfenden, who of course represents on this whole subject one school of thought which I think it is fair to say is not the dominant school in regard to the actuarial possibilities of unemployment insurance.

But my main reason for taking part in this debate now is this. We have the assurance of the Prime Minister (Mr. Mackenzie King) and of the Minister of Labour that it is the intention of the government to see this measure enacted this year. But I believe I know something of the kind of representations that will be made from all over the country by various groups the moment this measure gets into committee, and unless a clear limitation is imposed upon the nature of the representations that will be permitted, and if all of these groups are to be heard, there is no possibility of this measure passing the house this session. Consequently—I say this now because I am not a member of the committee and shall have no opportunity of saying it later—I think it should be definitely understood that because this question has been reviewed by at least three royal commissions and constantly discussed in all sorts of ways during the past twenty years, nobody will be allowed to appear before the committee to discuss the principle of the bill. Otherwise there will be no opportunity of the measure coming back to the house this session, and it is wholly desirable that, as all of us agree, it should be enacted now if for no other purpose than to give it a trial and to deal with unemployment insurance in an experimental manner.

Mr. HANSON (York-Sunbury): Would the hon. member suggest that if a substantial body of employers and a substantial body of wage-earners appear in opposition to the principle, they should not be heard?

Mr. MARTIN: I say that very thing, and for the reason that the country has had ample opportunity to consider this bill or the fundamentals involved in it. While it has some features that differ from the Bennett legislation, the fundamentals are the same, and all the criticism that was leveled against the Bennett bill and all the suggestions that were then made have been generally known for a considerable length of time. To pursue any other course would mean that this bill would not be enacted this session. Therefore there is fundamentally nothing new that is not already known by the department, the

government and the country. Nothing new can be submitted by any group. The Canadian Manufacturers' Association have said, by implication, that they regard this measure to be so dangerous at the present time that they propose to resort to every legitimate means to see that during war time it does not become law; and the effectiveness of that organization will be apparent, I think, when the committee assembles.

The attempt may also be made from other quarters, when the committee meets, to urge upon the government that at the present time at any rate the scheme should not be made compulsory. I hope that if that sort of representation is made, the attitude of the committee will be made clear, because I am sure that the attitude of the house is clear. There can be no question that in the light of experience in England our scheme should be made compulsory. First, because a compulsory scheme assures the widest possible distribution of the risk; second, because by levying a contribution on employers, employees and the state, the burden is equitably distributed; third, because by having the state participate in contributions as is done in England, as distinguished from the Wisconsin scheme, for example, the government can shift a considerable share of the burden on to those groups in the country which financially can bear that burden through graduated income and inheritance taxes.

The explanatory note opposite page 3 of the bill indicates that it is the government's intention to establish a commission to organize a national employment service with regional divisions and local offices. The English experience certainly indicates that unemployment insurance cannot be successfully administered unless it is harnessed to a system of employment exchanges or employment offices. In this country we have nine provincial employment exchanges or offices all operating with different policies and consequently lacking coordination calculated to effectuate the purpose of these employment exchanges. Perhaps in speaking on the second reading the minister may indicate whether, in the adoption of the scheme, the provinces have intimated their intention of abandoning their employment offices; because obviously, if the scheme is to function successfully, there cannot be any overlapping and the central authority must be able to deal effectively with the kind of problem that these employment offices have to deal with.

It will be argued in the committee that we should not consider unemployment insurance in relation to unemployment relief or to the general question of the rehabilitation of labour. This legislation, as far as I can see, does not envisage all the possibilities, and it falls short of adequate consideration of what the perfected legislation in England has taken into consideration, namely, that during a period of prolonged depression, or during a period such as the present when the depression is certainly less acute, unemployment insurance in itself is not sufficient to meet the needs presented by a situation of that sort and must be related to the question of unemployment relief, to the question of the rehabilitation of labour, and to such questions as national health insurance and the like. All these matters are part of a composite scheme, and consequently, when the hon. gentleman said that he agreed with my interjection as to the impossibility of unemployment insurance ever doing away with relief, he concurs, I take it, in the view that unemployment insurance and unemployment assistance or unemployment relief must go hand in hand. The objective is not to do away with relief but rather to cushion it and to have both activities working together.

Finally, the argument will be made before the committee that since every employed person in Canada cannot benefit from unemployment insurance, and since there are vast areas where it will be of small embrace, instead of having a national scheme we should have regional schemes. I have been advised of one group who propose to go before the committee and recommend not a national but a regional scheme. If that is proposed, then I suggest three answers. First of all, the scheme should undoubtedly be compulsory; second, it should be contributory, and third, it should be on a national scale; otherwise serious difficulties would arise. First, the working class move constantly from one province to another, and the difficulty would be greatly enhanced in such an instance particularly when one worker moved from an insured province into an uninsured province. Second, it would be unfair that the taxpayers of an uninsured province should contribute equally with the taxpayers of an insured province. Third, the producers of an insured province would be saddled with a substantial item of cost which would not be borne by their competitors in the uninsured provinces. That would be an obviously unfair provision with respect to employers of labour who had to compete with lower costs in a competing province. I might add a fourth consideration. If the scheme were not on a national basis,

the system of labour exchanges would be frustrated through their jurisdictions not being nation-wide.

Because there is a great move in the country against the enactment of this measure at this time, particularly in view of the fact that we are at war, certain sections of industry are taking a definite view in that regard. Perhaps because I represent a heavy industrial section of the country, strong representations have been made to me that our primary occupation at this time should be in the direction of winning the war. No one quarrels with that as our primary objective, but it is short-sighted for certain sections of industry to assume that taking care of the unemployed is not an integral part of our war effort. Certainly industry is short-sighted in not envisioning the kind of difficulty that will face this country when the war is over unless we have taken the steps which this house so determinedly proposes to take to-day. The spirit which all members of the house have displayed towards this measure indicates its desirability and the importance of enacting it at this session, no matter what the difficulty may be.

I conclude by saying to the Minister of Labour, coming as he does and as I do from an area in which there is unemployment for many months of the year because of the type of industry that predominate in the community, he will have done nothing in his public life greater than to create this measure when he is able to say at the conclusion of this session, as I hope he will be able to say, to his people and to all the people throughout the country that one further great reform for a harassed group of our population has finally been realized.

Mr. A. W. NEILL (Comox-Alberni): When the resolution on which this bill is founded was before the house we were not furnished with sufficient details—it was not possible—to enable us to understand a measure of this magnitude. I was glad, therefore, when I heard the Prime Minister (Mr. Mackenzie King) agree to the suggestion put forward by the leader of the opposition (Mr. Hanson) and endorsed by myself and others, that the bill should be sent to a special committee, the idea being, as I thought, that it would be thoroughly discussed in a non-partisan way and, if necessary, appropriate amendments made. Since then I have seen the bill, and while I have not been able to go through it as carefully as its importance demands, I see that there are considerable improvements on what is known as the Bennett bill. I do see in it, however, some places where I think further substantial improvements could and should be made for the benefit of the workers for whom it is intended.

Since then I have seen the names of those constituting the special committee, and I am not nearly so hopeful of improvement in favour of the worker. I have heard a good deal about non-partisan service in the last few months, and I supposed that would be demonstrated in the composition of this committee. I expected to see members representative of what are known as the "big interests" and big employers, and quite properly; and the government represented to some extent; also and particularly members representing what would be called the working section of the community. But on analysing the committee of fifteen I see that there are three cabinet ministers, a very large number out of fifteen; they and those they can control would almost guarantee the bill going through without any changes. There are ten Liberals, a huge majority in a committee of fifteen, and three Conservatives, one social crediter and one representative of the Cooperative Commonwealth Federation.

Let us consider their occupations and thus get some light on their possible leanings. There are ten lawyers. Now I like lawyers; I admire them; I had an ambition at one time to be a lawyer myself. Nevertheless we must view conditions as they are. The means of livelihood of lawyers, their profession, puts them in touch far more with the business interests than with the working man. Compare the big corporation lawyer with the average man here and there who takes up the cause of labour. And the ten Liberals give a partisan taste to the composition of the committee. Then we have two hon. gentlemen representing business interests; their interests would supposedly be against the bill, as has been indicated by the last speaker. Another one is a minister of the gospel; he has already expressed himself as having no faith in the measure. There is a farmer, but no farmers are eligible under the bill. There is a social crediter; he has already expressed himself as being in line with the views of his leader who said that "unemployment insurance is only a bauble, only a glittering make-believe which will lead to disappointment or despair", so we may wash out his usefulness on behalf of the working men. Then we come to one man who can honestly claim to represent labour; he is the only member of the committee who in years gone by has consistently advocated this legislation in the house. But I am afraid he will have a hard time getting much for the benefit of labour out of ten lawyers and the parson. I

would almost say that it appears as if a dictum had gone out that this bill is not to be changed. If that is the case, why send it to a committee; why not take the vote now? We have lost so many of the privileges of private members this session we might lose a few more; it would save time at any rate.

There are two or three further points that I would mention, because I shall not have any further opportunity. There are many points, but I have time for only one or two. The fact that these points to which I take exception were all in the Bennett bill does not justify their existence in this bill, because this government is supposed to improve things and get further light as time goes on. On page 14 of the bill we find a section relating to disqualification for benefit. Please note it is not disqualification for insurance, but disqualification for benefit. That is, you can be insured, but when you come to draw the benefit you will be disqualified.

Mr. HANSON (York-Sunbury): You can pay but you cannot receive.

Mr. NEILL: Yes, and when I state who is not to receive, hon. members will appreciate the point I am trying to make. They will find it on page 15. Among those who cannot draw insurance after having paid for it are those in receipt of pension under the Old Age Pensions Act. That is in paragraph (f). What in high heaven is the relationship between the Old Age Pensions Act and unemployment insurance? This is an insurance fund into which the worker has paid and from which he can demand compensation if he qualifies. If my house is burned down it would not excuse the insurance company from paying if they said, "You are not hard up." That is the position taken here, "You are getting $20 a month, therefore you will not be paid insurance under this bill although you may have been paying in for five or ten years."

Section 33 on page 11 even provides for a man having what one may call a side-line occupation being able to obtain benefit, if his main job is gone but he has some little side job such as usher in a theatre, and provided it does not exceed a dollar a day. But a man is going to be condemned because he is in receipt of an old age pension.

There is a worse feature than that. When you and I hear of people having old age pensions we naturally think of $20 a month. Not a bit of it; there are many reasons, I could speak for hours on it, why people do not get $20 a month, although they are entitled to it. The regulations are framed and the interpretation is so twisted by certain boards that people do not get what they are entitled to. Take one example; if I own a piece of land away out in the bush, it is worth $100 if I could get it, which I cannot; it is assessed at $1,000; that is quite common in British Columbia, and the board of pension commissioners say that I am drawing $50 a year income, five per cent on that amount. In addition, I have to pay $30 a year taxes, so I am out $80 a year, and that is taken out of the $20, or something like $7 a month.

There is another system of deduction. The board say that they must take into consideration anything which the wretched applicant "might be expected to receive," not in the opinion of the applicant but in the opinion of the board. So they say to the applicant, We "expect" you ought to be receiving so much from your married daughter's cousin, or something of that kind, and we will take that off the $20. I know of cases in which the Parents Maintenance Act is worked in. In one case they wrote me stating that they would not give an old man a pension because he should be living on his son, and his son was living on $5 a month relief at the time. In another instance I think of, in a province which I will not name, I wrote saying, "Why are you giving this man only $15 instead of $20?" The answer I got in black and white from the government official was, "We consider $15 is enough for the likes of him." That is, they did not say "for the likes of him," but that was clearly indicated. I said, "Yes, but the law calls for $20"; and I had quite an argument. I had to appeal to Ottawa and get a ruling before they would agree that the law did call for $20. They might just as well have said they thought $10 or $5 enough.

I know of cases where the amount of pension that people get is less than $3—$2.87 in one case—after these deductions are taken off. And because a man is getting $2.87 a month he will not be eligible under this bill. The provision was, I know, in the Bennett act, but I cannot think that it is just. So I suggest that that clause be struck out, or at the very least that it apply only when a man is getting the full old age pension, although even that would not satisfy justice. If a man is entitled to benefit by having paid for a number of years he ought to get it, and his poverty or riches has nothing to do with the matter.

Mr. HANSON (York-Sunbury): May I suggest that if he is entitled to insurance benefit he would not be entitled to old age pension.

Mr. NEILL: But the board would not let a little thing like that worry them. Nevertheless the bill as it stands provides that if the man is getting old age pension he will not get

the insurance benefit. I claim that he should still be eligible for benefit for a certain time, because this old age pension is not a reward for work; it is a private income, just as if the man had a little money left him.

Then I want to take exception to the classes of people, as set out on page 33, who cannot be insured. The first group includes people employed in agriculture, horticulture and forestry. In the old country those employed in agriculture are insured; why should they not be insured here? I object particularly with regard to this exception of those employed in forestry. Even men employed in fishing are not eligible. Of course much will depend upon how the word "fishing" is interpreted. An actual fisherman would not be eligible because he is not an employee. But some of the canneries work ten months a year; certainly their employees should be included, but I believe the word "fishing" would be held to cover them, and I think that provision should be modified.

My principal objection is in regard to the exclusion of those employed in lumbering and logging, exclusive of such persons employed in such sawmills as work more or less all the time. The word "lumbering" of course covers sawmills. Conditions in regard to logging and lumbering are totally different in British Columbia from those in eastern Canada. Once more we in the west have our old, time-honoured grievance; the east rules and decides everything and we get nothing. If it were not for the war I think I would lend my support to a scheme to separate from the union. I know how inopportune that would be, but we are not getting a square deal. Look at the fisheries business. In Nova Scotia they get millions of dollars to help that industry and we cannot get anything. It is the same in this instance. Why cannot the government take notice of the fact that conditions in the west are entirely different? Is it prejudice, or is it just that they are indifferent? On the coast and on Vancouver island lumbering and stevedoring go on all year. Only three things stop logging or sawmill operations. One of these is a fire condition in the summer time, but that is not seasonal; it does not occur at a certain date each year. Sometimes operations are shut down for two or three weeks in the middle of the summer, and sometimes there is no interruption at all. Another cause may be snow on the ground, but I have seen winters without snow, when operations were not halted at all. The third reason might be lack of orders, but of course that would qualify employees for this insurance. The exclusion of British Columbia logging and lumbering and stevedoring is grossly unfair discrimination.

I should like the minister to explain why people engaged in transportation by water should be left out. This includes men who work the year round on boats plying up and down the coast from Vancouver to Prince Rupert, and so on. They work all year; they are not held up because of ice in the St. Lawrence, or anything like that. Do the people here not know that? Do they not know we have different conditions out on the Pacific coast? If they do, why do they not take cognizance of that fact?

Then I see that those employed in domestic service are left out, except where they are employed in a club or something of that kind. A girl working in a boarding-house will be eligible, but a girl working in a private house next door will not be. When the girl leaves the boarding-house and goes to work in a private house, or vice versa, all sorts of problems will arise. Why should not the girl working for $5 or $10 a month be treated as the rest are treated? I do not know; I do not see any reason for it.

I have not time to go further into the bill, but I hope the committee will not bind themselves to follow the Bennett act too closely. I know that argument will be put forward, as I have heard it again and again already: "Oh, well, it was in the Bennett act." Perhaps if Mr. Bennett were to have an opportunity of redrafting his act now, he would make changes in it, because, as time goes on, all these matters require revision. No doubt this bill will be revised next year.

Since this will be my only opportunity to do so, I would urge the committee to bring under this measure loggers, lumbermen and stevedores in British Columbia, or at least those on the Pacific coast, Vancouver island and the lower mainland. I would urge them also to make the change I suggested with regard to old age pensions. So far as I can see, the amounts to be paid and received are not only reasonable but are an improvement over the old act, and I have no doubt the minister is entitled to a great deal of praise for the work he has done. My remarks are not in criticism of him; I have just taken this bill as it is, and I hope some attention will be given the matters I have mentioned when the bill is being considered in the special committee.

Mr. J. A. MARSHALL (Camrose): Mr. Speaker, thus far in the discussion this afternoon we have heard from hon. members representing industrial areas which will benefit materially from the operation of this measure. Coming as I do from an agricultural constituency, I should like to support the request of the hon. member for Comox-Alberni (Mr.

Neill) that logging be included in the list of industries coming under the bill. I would ask also that agriculture be included. If I may be permitted to use the expression, it does seem to me that we take a crack at agriculture on every possible occasion. So I would ask that when this bill is taken up in committee the inclusion of agriculture be seriously considered.

The hon. member for Essex East (Mr. Martin) told the house that in his judgment the scheme was not actuarially sound. If that is so we should see to it that the bill is so altered as to make it actuarially sound.

Mr. McLARTY: In fairness to the hon. member for Essex East (Mr. Martin), I do not think he suggested that there was anything unsound about the actuarial principles of the bill.

Mr. MARSHALL: I think the hon. member made the statement that we must be prepared to face deficits in connection with the operation of this measure, and in my judgment no scheme is actuarially sound if it involves the possibility of deficits.

Mr. MARTIN: I am sorry I happened to be out of the chamber for the moment. What I said was that the leader of the opposition (Mr. Hanson) had suggested that we certainly should shun any possibility of deficits and should endeavour to make the bill actuarially sound. With that suggestion I did not quarrel; but I did say that if by the term "actuarially sound" he meant in the sense that life insurance is sound, then he was expecting something which a measure of this kind, establishing unemployment insurance, could not possibly give. That was what I meant.

Mr. MARSHALL: I accept the statement of the hon. gentleman. He also spoke about experimenting in connection with this bill. Britain has experimented with unemployment insurance for twenty-nine years, and later in the course of my remarks I shall endeavour to show just what has happened there. The United States has had a social security plan in operation for a number of years. Surely we should be able to benefit by the experience of Britain and the United States and see to it, as far as humanly possible, that this measure is actuarially sound.

The hon. member for Comox-Alberni referred to the attitude of this group with respect to unemployment insurance. I should like to place on record two statements made by the then hon. member for Edmonton East, Mr. Kennedy, in the course of the debate on the resolution presented by the hon. member for Comox-Alberni last year. These two statements clearly and concisely show what our stand is. At page 1139 of *Hansard* for February 20, 1939, the then hon. member for Edmonton East is reported as follows:

> I agree with the hon. member for Comox-Alberni that the government should not wait but should undertake as quickly as possible the introduction of some scheme in an effort to help the unemployed in various parts of Canada.

And then, towards the conclusion of his remarks he said this:

> In conclusion, if a plan is to be introduced which will really assist our Canadian people, it must be one which will assist all classes. It must be a plan which will better the living conditions of the people of Canada, rather than make them poorer.

In other words, we are in favour of unemployment insurance. But in connection with such a scheme there are two points that I wish to emphasize. First of all, the insurance should be wide enough to cover all classes of workers, irrespective of the type of work in which they are engaged. Second, it should be non-contributory. In other words, we believe that the premium or the coverage should be found by the state. Naturally that brings up the old question: Where is all the money to come from?

One point which must be brought home to the people of Canada is that this is no cure for unemployment. I do not believe that point can be emphasized too strongly. No matter whether we have unemployment insurance or not, we shall continue to have unemployment in Canada. To-day we are living in an age of plenty, instead of an age of scarcity. Technological improvements are continually throwing men out of work. Drudgery is being taken from the backs of humans, and placed upon machines. In consequence, unemployment is a sign of progress. To-day we are at war. As we all know—and I hope this is true—industry is working to full capacity. In recent speeches made by the minister in charge of industrial war activity we are led to believe that industry is working at full capacity. Despite all that, unemployment continues to exist, thereby giving the lie to an opinion frequently expressed to the effect that a good war would cure unemployment.

I have heard the Minister of Labour (Mr. McLarty) speak with respect to this bill. He has not told us anything new. In the measure before the house he has not given us any relief for western agriculture. As was stated this afternoon by the leader of the opposition (Mr. Hanson), it is a notable fact that bankers are included in the scheme, whereas agricultural helpers are excluded. He wondered why that

was so. Well, in the course of the next few years he will find out why Mr. Banker is included in the scheme.

Let us analyse the measure. First of all, three parties are involved: the employees, the employers and the government. The employee contributes anywhere from nine cents to thirty-six cents a week. Where does that money come from? The employee is also a consumer, and that money will come out of his pay envelope, thereby reducing his purchasing power to the extent of the payment he may make. Articles which ordinarily would be purchased by an individual paying into the scheme must go unpurchased, and remain on the shelves of the store-keeper.

The employer is the second party to the agreement, and he contributes anywhere from eighteen cents to twenty-seven cents a week. Where does that money come from? He includes that in the price of his goods, and to that extent the goods increase in price. These prices must be shouldered by the consumer. Again the consumer pays.

The government is the third party to the plan. Where does the government get its money? According to orthodox methods at present in vogue, there are only two ways of getting money, the first by borrowing and the second by taxation. No matter whether the government borrows or not, eventually it must tax back that money, and the money will come out of the pocket of the consumer. It is apparent, therefore, that the consumer pays the full shot for the whole thing. That is a point we should remember.

I have on my desk an article which appeared in the *Financial Post,* under the heading "Pay envelope not all it seems", and which reads:

> An example of how the unemployment insurance contribution will affect a man earning slightly under the maximum of $2,000 yearly is shown below. The individual in question is married with no children. He contributes to a mutual benefit society weekly, is voluntarily buying war savings certificates at the rate of $1 a week, and contributes to group insurance carried by his employers.

The following table showing the weekly pay of a worker, and the weekly deductions from his pay will, I believe, be of interest to hon. members.

Weekly pay.....		$38 00
Deductions:		
Mutual Benefit Society.....	$0 19	
2 per cent national defence tax	0 76	
Income tax provision.....	0 64	
War savings deduction.....	1 00	
Group insurance.....	0 20	
Unemployment insurance.....	0 36	
Total deductions.....		3 15
Net pay.....		$34 85

The payments indicated in this table are diverted from channels of trade, and as a result goods lie unpurchased on the shelves of store-keepers across the country.

There are two questions to which I should like to direct the attention of the Minister of Labour, and I would ask that when the bill reaches committee stage he give answers. First, will the freezing up of vast sums of purchasing power bring about a condition whereby large quantities of goods will remain unsold on the shelves of our store-keepers? How does the minister propose to remedy that situation which, I suggest, must inevitably happen? My second question is: How does the government propose to finance its contribution, one which is bound to become very large as the situation becomes more acute?

Mr. HANSON (York-Sunbury): By taxation.

Mr. MARSHALL: I would beg the indulgence of the house for a moment to read briefly from a book written by a gentleman held in high esteem by all Canadians. This gentleman is no sentimental visionary; rather he is one who has served in the school of practical experience. It was a surprise to me to find that he had definite views on money and the place which it held in the general economy of a country. No one can accuse him of being timid, because I think all hon. members will remember the speech which he made in Toronto, for the making of which he was asked to come back to the land of his forefathers. I refer to the Hon. James H. R. Cromwell, who was United States ambassador to Canada a short time ago. We came to like this young man and we regret that he has had to leave our country. He wrote a book entitled "In Defence of Capitalism", which I recommend to hon. members. On page 181, chapter 3, part III, of the book, he deals with unemployment insurance and claims that such a measure should be repealed. I should like to quote one or two short extracts in order to give hon. members the views of one who should know what he is talking about because he has spent a great part of his life in industry. I quote from page 181:

> In the case of unemployment insurance, on the other hand, adherence to the laws of scientific money would prevent the recurrence of general unemployment, and so would render provisions for such a condition unnecessary. The only basis, therefore, upon which unemployment insurance could be deemed justifiable and logical would be the defeatist contention that depressions are unavoidable.

On the next page he refers to the amount of money which it would be necesary for the government to advance in order to carry

through this scheme of social security, as it is known in the United States. He states it would cost at least a billion and a half dollars a year, and then goes on to say:

For this and for other reasons, hereinafter set forth, we reject the idea of unemployment insurance just as emphatically as we support the idea of old age security, and we recommend the repeal of those provisions of the social security act that relate to unemployment compensation. We contend that depressions can be prevented and that congress should adopt measures to render such catastrophes impossible, thereby assuring security in old age—and should cease to waste time contriving temporary palliatives, such as unemployment insurance, designed solely to cushion the shock of the next disaster.

At the bottom of page 182 he has this to say:

We have endeavoured to show, however, that business recessions and general unemployment are caused by a lack of purchasing power which, in turn, springs from neglect to scientifically increase the flow of dollars and to synchronize the flow of dollars with the flow of goods.

I should like to close with this quotation from page 184:

The present unemployment insurance law is analogous to selling the blood of an invalid in order to buy him a crutch; in other words, full employment is retarded in order to furnish a mere palliative for the next disaster. Taxes are raised to pay useless administrative costs, prices are raised to bear the burden of payroll assessments, enterprises are further entangled in red tape, and our economy is exposed to possible deflation through the purchase of federal bonds, as was explained in section 86. Are all these disadvantageous complications to be endured for the sake of supplying a mere bromide or, at best, for providing a method for making dollar additions, not only questionable in affect, but cumbersome and wholly unnecessary?

Surely forward-thinking citizens, once cognizant of the facts, would no longer tolerate such obvious palliatives as unemployment insurance but would demand fundamental and available preventives, that would put an end to periodic break-downs of our economic machine.

I commend to hon. members a close study of those words written by one who should and does know what he is talking about.

In the short time remaining at my disposal I should like to refer briefly to what has taken place in Great Britain. An unemployment insurance scheme was inaugurated in that country in 1911, and in 1936 a survey was made by an economist who, I understand, is of some note. I refer to Mr. S. Burton-Heath. One fact which he brought out and which I should like to stress is that unemployment insurance of a conventional type functions when it is least needed and breaks down completely when it is needed most. Up to the end of October, 1932, the British government had put into the scheme, in addition to regular contributions by employers, employees and the government itself, the staggering total of $910,000,000. The system was revised in 1932 by a committee set up for that purpose, and at that time the government was going behind at the rate of $195,000,000 a year. This was cut at the time the survey was made in 1936 to $130,000,000.

From 1911 to 1914 the scheme functioned fairly well; from 1914 to 1918, the war years, it prospered, but it ran into some snags after that. In the middle of 1919 there was a surplus of $88,000,000. In the meantime the scheme was extended to take in other branches of industry which had not previously been included. Then came the aftermath of the war when the forces were demobilized and the country found itself faced with a serious situation. At that time there was appropriated $304,000,000 to meet the emergency. By 1920 the fund had been exhausted completely and the government had pumped in an extra $107,000,000. The scheme was extended further to take in domestic servants and agricultural labourers, and the number under the scheme rose from 4,200,000 to 11,500,000. Contributions were increased, and one government fell because it adopted a policy of increased assessments. Since 1920 the scheme has been adjusted; it has been amended, and it has been revised. To-day it is not called the Unemployment Insurance Act; it is called the Unemployment Act. Every year since 1922, with the exception of two years, the scheme has shown a deficit ranging from six million to two hundred million dollars. These are some facts which I hope the committee will weigh carefully when the bill comes before it.

In conclusion, Mr. Speaker, I would say that this scheme has been devised on orthodox actuarial lines by a committee of individuals who actually believe that it will work. To carry through this scheme will require money and plenty of it, and I am confident that we shall have to go to the treasury time and time again in order to make up the difference. Under our orthodox system of finance the money can come from only one source, and that is taxation. That brings us back to the old question of finance. Until we tackle this financial problem there can be no feasible plan of unemployment insurance, and when it is tackled there will be no need for one.

Mr. MACKENZIE KING: If the house will permit me I would move that Mr. Speaker do not leave the chair at six o'clock. My purpose in making the motion is that I understand there are only one or two more members who desire to speak on the second

reading of the bill, and it would appear that we might be able to conclude the debate shortly if we continue to sit after six. If this motion is agreed to, when the time comes for the Speaker to leave the chair I would move that the house then adjourn until Monday, thereby not having a sitting this evening.

Motion (Mr. Mackenzie King) agreed to.

Mr. A. W. ROEBUCK (Trinity): Mr. Speaker, I had no intention of taking part in this debate at this stage because, as a member of the special committee, I shall have plenty of opportunity at a later date, but I come from an industrial constituency in which a large number of people are interested in this bill and I feel that I cannot pass in silence certain remarks which were made by the member for Comox-Alberni (Mr. Neill) with regard to the personnel of the committee that has been set up.

The hon. gentleman questioned to some extent the bona fides of the committee, the attitude of the committee, on the ground first that there were too many lawyers on it. Perhaps that might well be charged. I remember that once the Hon. Arthur Sifton, at that time premier of Alberta, was charged with being a lawyer in an agricultural province, and he acknowledged the fact but said that he was not much of a lawyer. I can reply perhaps in the same way, at least for the purposes of extenuation.

But more important was his statement, which I feel I cannot let pass, that only one member of the committee had been an advocate of unemployment insurance for any considerable length of time. Perhaps I can judge others by myself. I do not wish to defend all the members of the committee; it is not necessary, but I do not wish to pass that suggestion so far as I am concerned. I have advocated this measure on innumerable occasions over a great number of years, and on two occasions at least that advocacy is of record. I can go back some twenty-one years to the occasion on which the Prime Minister (Mr. Mackenzie King) moved on the floor of the great convention of that year his labour measure, including this particular subject, and he did me the honour of asking me on that occasion, twenty-one years ago, to second the motion, which I did. Not only so, but in more recent years, representing the province of Ontario, I defended the Unemployment Insurance Act, before the privy council. Both those occasions are of record and there are many others. I think the country should be assured that the members of the committee which will study this measure will give it sympathetic as well as careful and bona fide consideration.

Mr. R. W. MAYHEW (Victoria, B.C.): Mr. Speaker, possibly what I have to say on this measure would have been better said on the resolution or in the committee, but on account of my association with at least one organization that has been bitterly and unjustly attacked when the resolution on unemployment insurance was first introduced, I feel that I should say something now.

First, let me say that I am in favour of unemployment insurance. I would not go so far as to say that I am 100 per cent in favour of this bill because I have not had an opportunity of studying it thoroughly, and from what I have seen in it there are some provisions that I would change. I shall not dwell upon that more than to note that in my opinion it is not sufficiently inclusive. The bill leaves out, as has been mentioned on other occasions, loggers, and that affects us in British Columbia. It leaves out another class, stevedores, who, I think, should be included. The bill contains no benefits at all for farmers, and also leaves out domestic workers.

I am not here to defend the Canadian Manufacturers' Association or its members. The manufacturers are pretty well organized and I think they can look after themselves. The labour people are well organized and, I think, are not badly handled, and they can look after themselves. But if there are any people in Canada whose backs we are riding on to-day it is the farmers, and they are not looked after in this bill. That is all I shall say in that regard.

I just want to call attention to what the hon. member for Comox-Alberni (Mr. Neill) said about the Canadian Manufacturers' Association. I intended to read more, but since the time is short, I shall read only three lines. He said:

> If there are any reactionary bodies on God's green earth it is these two organizations.

He was referring to the Canadian Manufacturers' Association and the Canadian Chamber of Commerce. His statement, I think, was not called for. First, it is not the truth. The minister in introducing the bill referred to the fact that already 2,800 manufacturers in Canada had not waited the twenty years that this government has been talking about unemployment insurance and social legislation, but had already established such benefits for their workers as insurance, superannuation, health insurance, under schemes of their own.

In my own industry at the present time we have seven deductions; sickness insurance, workmen's compensation, and so on, and we are prepared to take in unemployment insurance. I spoke on behalf of unemployment

insurance at the last annual convention of the Canadian Manufacturers' Association, and I can say this to hon. members: I have listened this afternoon to some good speeches in favour of unemployment insurance, but I have heard just as good speeches in favour of it on the floor of the convention. Therefore, while there are those here who may put up an argument from their point of view, there is also an argument on the part of the Canadian Manufacturers' Association. Let me say this: If you want to divide us into groups of labour and capital—and there is no reason why you should do that—you certainly cannot say that all manufacturers are sinners and all employees are saints. You must simply say that we are two groups, each having its share of sinners and saints—and the saints are very scarce in either group.

May I give an answer to my hon. friend (Mr. Martin) to my left? I take exception to his statement that organizations should not have an opportunity to present their ideas upon this subject before the committee that is to be appointed. Surely an organization which is going to contribute $28,000,000, as indicated by the leader of the opposition (Mr. Hanson) this afternoon, should have a right to be heard on the question.

Mr. MARTIN: The hon. gentleman must remember what I said. I said that before groups are allowed to go before the committee, it should be recognized that only those shall be heard who are agreed to the principle of this bill. They should not come to argue the principle of the bill. To say that I opposed wholesale representation is not correct.

Mr. MAYHEW: I submit that any representative group has a right to make reasonable representations to that committee. Personally I will certainly object if there is any tendency on the part of the committee to rush the bill through without giving those interested a chance to be heard, because people from one end of Canada to the other have a right to come before the committee. I am one of those who are prepared to stay here until the snow flies, as the hon. member for Vancouver East (Mr. MacInnis) says, in order to get the bill through. I do not think that discussion should be cut off. I shall be disappointed if the Canadian Manufacturers' Association do not bring to the committee some constructive suggestions. I shall be disappointed if they come with the intention of tearing down the plan we have built up, but surely men who contribute something should have a right to be heard. We have a right to listen to them and an equal right to listen to those who represent labour on the committee. There were some other observations which I should like to have made, but I shall probably have another opportunity to present them to the house.

[Mr. Roebuck.]

Hon. NORMAN A. McLARTY (Minister of Labour): It is now after six o'clock, and I will not encroach upon the patience of the house by making any lengthy remarks at this time. With one exception, every one is agreed this afternoon, that it is important that progress should be made with this bill and that it should get to the committee at the earliest possible moment. For that reason, if second reading could be given the bill this afternoon and the committee appointed, it could proceed with its work the first thing on Monday morning.

It has been a congenial task for me as minister, sponsoring a bill such as this, to have received such whole-hearted approval of the measure, in principle, as has been given this bill. Criticisms there have been, more in the way of suggestions, and some members have been kind enough—the hon. member for Vancouver East (Mr. MacInnis) and the hon. member for Comox-Alberni (Mr. Neill)—to suggest that where changes have been made in the former act they have been helpful. It is only reasonable that this should be so. We have had, in the preparation of this bill, the advantage of the large volume of work which was done before the 1935 act was passed. A great deal of attention was given the matter at that time, and we have had the benefit also of experience in the United States.

We have endeavoured to improve the bill, and I believe that, in a measure, we have succeeded. For example, we have adopted the ratio rather than the flat-rate rule. The hon. member for Davenport (Mr. MacNicol) referred to that in his remarks this afternoon. The reason for that change is this. This is a broad country and the cost of living and wages vary in different sections. The result of the application of the flat-rate rule would be, in view of the fact that unemployment benefit can never rise as high as wages, that the yardstick used to measure the benefits would necessarily have to be the lowest wages paid in the lowest wage-paid area in the country. The method we have adopted in this bill gives a much greater and wider measure of elasticity in a country such as this, and I suggest that this is a definite improvement. We have cut down the period required to qualify for benefit. We have amended it so that not only may it be on a weekly basis, but it may be on a daily basis as well, so

that we get away from the doctrine of continuous employment, which was complicated in the last measure.

A suggestion was made by the leader of the opposition (Mr. Hanson). He said, "You have done this, but we have to be convinced that you are actuarially sound in doing it." That is a very fair suggestion. I know that he will not ask me to produce this afternoon all the actuarial figures, but I do say, with respect to the particular question as to the weight of unemployment, that the same figure has been adopted by the same actuary who computed the 1935 figures. The actuarial portion of this bill is the most important. A certificate of health has been given it by competent actuaries, and that will be submitted to the committee at its very first sitting.

As regards the administration of the bill, the leader of the opposition pointed out that, according to section 10, the officers and clerks will be appointed according to law. I would remind him that it follows from that that they are appointed through the civil service commission. It does not have to be so expressly stated, nor was it so expressly stated in the 1935 act.

Mr. MacNICOL: The 1935 act does say expressly that the employees must be appointed by the civil service commission.

Mr. McLARTY: Then my annotation is incorrect.

Mr. HANSON (York-Sunbury): I am sure of it.

Mr. McLARTY: There need be no question about it, because with such a number of employees engaged under such a measure as this, it would be only reasonable to presume that the civil service commission would make the necessary appointments.

There have been suggestions, too, that the coverage might be extended in some cases, such as logging, and that it should be withdrawn in others, for example, banking. It should be remembered that the bill applies only to those drawing less than $2,000 a year, and in the particular instance that the leader of the opposition gave, I think he answered his own question splendidly when he said that, after all, you cannot take in all the trades in which employment is precarious and leave out those that are steady; otherwise you get away from the very principle of insurance.

The hon. member for Comox-Alberni suggested that he understood the suggestion to be made that when the bill came to the committee, no amendment could be made. I do not know where that idea came from, because my conception of the purpose of the committee is to examine the bill and make such amendments as may be designed to improve it. Certainly there is no thought, as far as I have anything to do with the matter, of ignoring representations that might properly be made by various organizations. I feel that in 1935 the committee went into the question very carefully and that if we could limit to some extent the representations regarding the bill to the changes that have been made since the 1935 act, it would be helpful in the matter of time, but I do not think we could place any limitation on representations which properly refer to the bill and which may come before the committee.

I had intended to speak a little more at length, but since the house has been kind enough to stay beyond the usual hour of adjournment, I think I should be trespassing on its kindness too much if I kept it any longer, and, as I say, there will be another opportunity when the report comes from the committee.

Motion (Mr. McLarty) agreed to and bill read the second time.

REFERENCE OF BILL TO SPECIAL COMMITTEE FOR CONSIDERATION AND REPORT

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved:

That a special committee of the house consisting of Messrs. Cardin, Chevrier, Graydon, Hansell, Homuth, Jackman, Jean, MacInnis, Mackenzie (Vancouver Centre), McLarty, McNiven (Regina City), Picard, Pottier, Reid and Roebuck be appointed to consider Bill No. 98, an act to establish an unemployment insurance commission, to provide for insurance against unemployment, to establish an employment service, and for other purposes related thereto, with power to call for persons, papers and records, to examine witnesses, and to report from time to time.

Hon. R. B. HANSON (Leader of the Opposition): The minister suggested that this committee would get to work on Monday morning. I suggest that there will be very few members of the committee in Ottawa on Monday morning. It seems to me that Tuesday is the earliest possible time.

Mr. McLARTY: It might be possible to have an organization meeting on Monday morning, and then perhaps the committee could meet at four o'clock on Monday afternoon. I think it is important that we should start on Monday.

Motion agreed to.

On motion of Mr. Mackenzie King the house adjourned at 6.15 p.m.

Monday, July 22, 1940

The house met at three o'clock.

UNEMPLOYMENT INSURANCE

CONCURRENCE IN FIRST REPORT OF SPECIAL COMMITTEE

Hon. N. A. McLARTY (Minister of Labour) presented the first report of the special committee on Bill No. 98, respecting unemployment insurance, and moved that the report be concurred in.

Motion agreed to.

EUROPEAN WAR

STATEMENT OF PRIME MINISTER WITH RESPECT TO HITLER'S REICHSTAG SPEECH OF JULY 19

Right Hon. W. L. MACKENZIE KING (Prime Minister): Since this House of Commons adjourned on Friday last, hon. members will have read accounts of the speech delivered by Herr Hitler to the reichstag on that day. The speech was accompanied by newspaper reports that many parts of Europe were threatened with famine. Some semi-official statements, presumably inspired, were also issued from German sources concerning the future of Canada. In the circumstances a word in Canada's parliament concerning Hitler's latest utterance may not be out of place.

Hitler's speech abounds with the historical falsehoods which have characterized his utterances since the outbreak of war. His words and his works are both known. His words have been a succession of promises made and of promises broken. His works have been cruelty, rapine, bloodshed and violence.

His speech was characterized by Hitler as an appeal to reason and common sense. It purported to be concerned with peace. In reality it was mostly, if not entirely, a threat of dire calamity to millions of innocent beings, and exhibited a reliance upon force and violence greater than that which Hitler has displayed in any of his previous utterances. There was not so much as a suggestion of conditions or terms upon which peace could be discussed. The speech contained, however, most specific references to "unending suffering and misery" for millions, and to "complete annihilation" of either the British or the German people—Hitler's own people—and the prediction that unless the dictator's will prevailed, a great empire would be destroyed. All this was from one who in the same address professed a deep disgust for the type of unscrupulous politician who wrecks entire nations and states.

The speech calls for no words in reply. It answers itself. The one comment that obviously may fittingly be made upon it is that so far as the future of the war is concerned, deception has run its course. Resolute action alone will decide how suffering and misery are to be ended, whether it is tyranny or freedom that is to be annihilated, whether civilization is to be destroyed or to survive.

As to the threatened disaster to the peoples of Europe, none will regret a calamity to the innocent victims of persecution and aggression more than the people of Canada who have built this nation upon the foundation of tolerance, good will, peace and racial generosity. But if such a calamity does occur none will identify more clearly its creators and originators. The men who will have brought famine to Europe will be the same men who have brought fire and slaughter to Poland, to Norway, to Holland, to Belgium and to France. Against all of Hitler's prophecies there stands another prophecy that throughout the ages has never failed to come to pass. Sooner or later sure retribution will overtake the tyrant who defies the law of God and man. Until that retribution comes to undo the wrong done by the guilty, the peoples of the British commonwealth will continue to face every ordeal with fearless eyes and unflinching courage.

With reference to the destiny of Canada all I wish to say is that the destiny of Canada will be determined not by Hitler, not by Mussolini nor by any combination of aggressors, but by the free will of the people of Canada in accordance with their tried and traditional loyalty.

Hitler has spoken of peace and of a new social order. He has done so, however, in accents of war. He has chosen to talk about negotiations in the language of domination. Let me say that the mind that is capable of conceiving thoughts of wholesale destruction and complete annihilation is not a mind that is capable of envisaging either concepts of justice or the blessings of peace. Least of all is it able to build "a new social order and the finest possible standard of culture", as Hitler claims has been his intention. The peace that will finally come to the world will be the peace that the free men of the world desire and understand, a peace that their sacrifices have won. It will not be a German peace. It will not be that false nazi peace where men move amid the hushed suspense of fear in the presence of the spy, the gangster and the Gestapo. Above all, it will never be a peace based on a conception of the subordination of individual personality to the control of the materialistic and warlike state. It will

be a peace which will reestablish liberty and affirm the rights of men. It will be a peace under which men and women can speak the truth in their hearts and live their lives without fear; a peace in which labour will have dignity, religion will have freedom, and little children will have security.

The nations of the British commonwealth no doubt have had many failings, but they have loved and honoured justice and mercy. To-day they do not fight for power, they do not fight for the preservation of any form of government; they fight the battle of mankind. The battleground has moved to the very home of freedom itself. There and now the great qualities of the people of the British isles shine more brightly than ever. The invasion of those islands will be the invasion of the sanctuaries of all free men. Their invader is our invader. Canadians are prouder than ever to share with the men and women of Britain the rigours of the conflict, and to stand shoulder to shoulder with them in the defence of political freedom, social justice and human liberty.

Hon. R. B. HANSON (Leader of the Opposition): I am glad, Mr. Speaker, that the Prime Minister (Mr. Mackenzie King) has made this declaration. We in Canada have read with horror and dismay the declaration of the intention of the dictators, and I am sure the public will welcome this declaration by the Prime Minister of Canada.

BUSINESS OF THE HOUSE

REQUEST FOR STATEMENT AS TO CANADA'S WAR EFFORT—MOBILIZATION REGULATIONS—FURTHER LEGISLATION

Hon. R. B. HANSON (Leader of the Opposition): I desire to make a few brief observations at this point, with the permission of the house, with respect to certain things which I think should be discussed in this house before prorogation.

Over the week-end it was announced by the Department of National Defence that Major General Crerar has been appointed chief of the general staff, displacing General Anderson, who is to become inspector general for central Canada in place of General Ashton, retired. I make no criticism of this change, which I think was generally expected when it was announced that General Crerar was returning to Canada to become vice-chief of the general staff. The only comment I think I should make is that the announcement came more rapidly than was generally anticipated.

I rise, however, to make a request of the ministry. This house will prorogue in about two weeks, unless the government decides not to prorogue but to adjourn for a period of time; and that is what I think should be done. In my view parliament should not prorogue but should stand adjourned until a definite date, which should be anticipated in case any great national emergency, such as an invasion, should arise. But whether the government decides to prorogue or adjourn, before the house rises opportunity should be given for a general discussion of the government's war effort. I do not think there would be full opportunity under the general estimates. Something more is required.

We have had a cabinet reorganization, such as it is. We have had a number of press releases from the government, including a number from the Minister of Munitions and Supply. A recent one dealt with the setting up of the five companies recently organized and wholly owned by the government, and their purpose. Then on Monday, July 8, in announcing the shuffle in the cabinet, the Prime Minister gave a long tabulated list of the war set-up of the government. Still later, on the 18th of this month, he announced the set-up in his own office, including a statement defining the duties of Mr. Brockington.

Notwithstanding all this machinery announced by the government, however, strangely enough the country is without any definite and concrete statement of what it is actually doing and what is its war effort. From time to time we have announcements of huge contracts being awarded, of vast financial obligations incurred; but, after all, no one has told the house and the country just what are the concrete results. We are always being told what the government proposes to do. We are never told what the performance is. On paper the proposals look impressive, but it is results that count.

During the last two or three weeks, in fact since July 8, I have refrained from making any demand upon the ministry for information; but two weeks have elapsed and nothing but the merest platitudes have been given out by the ministry through the medium of the press, while nothing has been given in the house. How many divisions are to go overseas? What is the production of war supplies and material? What progress, if any, has been made in the construction of tanks, of big guns, of motorized equipment, of munitions? I have been given in confidence by the Minister of National Defence a statement of Bren gun production. I am not at liberty to divulge it, and have not done so. All I can safely say is that it is not impressive. It may be up to the schedule of a peace time programme, but Canada is at war; and what may be satisfactory in peace time is not good enough in war time. Then there is the question of the defence of our Atlantic coast.

These are but samples of the thoughts which are surging through my mind and through the minds of the people of the country, who after all are paying the bills. The Prime Minister and the members of his government apparently are content, having made our war effort the prerogative of their own party, to keep within their own bosoms the story of our war effort, of our performance as distinguished from promises. There may be a reason for this silence, this secrecy; I do not know. I am no longer given any information by the ministry, though I think I am entitled, as a matter of right, to know what is going on, as I made clear on a previous occasion, for my own guidance in the house. That information has been denied to me.

In view of that fact I am constrained to demand that the situation be clarified and remedied. We began ten months ago in a feeble way. The first nine months of our war effort was pitiful. Not until events began to happen in the theatre of war did the ministry apparently wake up to the seriousness of the siuation. It was not until the middle of June, just a little over a month ago, that any results were apparent. Since then, and then only, has Canada been getting into her war stride. There have been changes at national defence headquarters. I am agreed in those changes. The minister, too long delayed at the Department of Finance, has had an opportunity to review the position. The time has now arrived when the ministry should take the house and the country into their confidence and tell us just what is the position. We have been without information too long. I invite the ministry to do so this week; in any event before we depart for our homes, which will be within the next ten days.

It may well be that the ministry will decide that they cannot, with safety to the state, give publicly all their plans. But there are some things which can and should be made public, and as soon as possible.

One important thing is in my mind. We passed recently the national resources mobilization bill. Under this bill, and under another bill passed subsequently, we delegated to the new ministry of war services the duty and obligation of setting up and defining the terms under which men are to be drafted for service in the defence of Canada. This is a great power to vest in any one minister. Before this house adjourns, those regulations should be laid on the table so that we may have the opportunity of examination and discussion. I do not want this house to adjourn without this opportunity, and it should not be denied to us.

[Mr. R. B. Hanson.]

So far we have only had a brief statement of the principles to be followed. These principles may or may not be followed. Some other principles may be set up which would not be satisfactory. In any event, we should and must know what the regulations are. It will not do to withhold them until after our departure, and I demand that they be tabled. Any good draughtsman, with the legislation before him, with the provisions of the Militia Act, with the experience of the last war, with the provisions of the English act before him, could draft these regulations in two days. Has this been done? So far we do not know; but it should be done and the result placed before the house and the country.

With respect to those matters which are secret, or which it may not be in the public interest, in the interest of the safety of the state, to reveal, I suggest that if such matters cannot be openly discussed, then we should have a secret session of the house. Generally speaking I am not in favour of secret sessions. I believe everything should be open and aboveboard. Let the light of day in upon matters and they will become clear. That may not, however, be the wisest course in war-time in respect to those matters which have to do with our home defence. If the government on its responsibility will say that the information in relation to such matters as home defence and kindred subjects cannot be revealed publicly, I would not question their judgment.

But I do think they could trust the members of this house. After all, we were elected, among other things, to carry on Canada's war, albeit under a party government. We have a definite responsibility to the public which sent us here, and if we are to discharge that responsibility we should know what is proposed.

I therefore invite the ministry to make available to the house publicly the present status of our war endeavour, and with regard to those portions of that effort which are secret and confidential, then I ask the ministry to decide and make the whole known to us in a secret session of this house, in order that we may be informed and take such intelligent action, or to refrain from action and criticism, as patriotism, loyalty, good judgment and common sense shall dictate.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, with the suggestion of my hon. friend the leader of the opposition (Mr. Hanson), that before prorogation the house should have a statement on the part of the ministry with respect to Canada's war effort, something in the nature

of a comprehensive review, I am in entire accord; and I am sure my colleagues are equally in accord. I believe they have a desire to see that a more or less comprehensive statement is given of what has been achieved and what is being undertaken.

However I cannot agree with my hon. friend when he says that the country is not aware of what is being done. The truth of the matter is that from week to week, if not from day to day, the country has been given information on some particular aspect of Canada's war effort, from some department of the ministry. It may be that the information being given in this manner, scattered over periods of time, the sum total of, or the complete results are not as apparent as they would be if set forth in a collective or all embracing manner. As a matter of fact the administration had intended that when the estimates for the Department of National Defence were being considered in the committee of the whole, an opportunity for such a review would be given and availed of. I believe I may promise my hon. friend, the leader of the opposition, the government will be only too pleased to give to the house the kind of statement which I believe he has in mind.

The leader of the opposition said that the government had taken, as the prerogative of its own party, the carrying on of Canada's war effort. I do not believe that that statement is wholly accurate. In fact, as my hon. friend knows, I have gone out of my way to try to find some means whereby we could make clear to hon. gentlemen opposite that we were prepared to share with representatives of their different groups not merely the responsibility, but the power which necessarily goes with the direction and carrying on of Canada's war effort. The replies received to my overtures made it clear I think that of necessity, not as a special prerogative, the government, as the party returned to power in the recent general election, must take the responsibility to carry on the war effort, and to carry it on in accordance with our usual constitutional procedure.

Speaking at the time the leader of the Social Credit group said that his party would not wish to share any responsibility with a government carrying on Canada's war effort upon the present financial basis. He pointed out that if he were to be associated with a ministry carrying on the war effort, that ministry would have to have a wholly different financial system upon which to administer the affairs of the country. So I would assume that if we were to suggest that he enter what might be called a union government he would find it impossible to come in, on that score.

Then, my hon. friend the leader of the Co-operative Commonwealth Federation said that he and his party had been elected to expound a certain economic system and philosophy in this house, an order of socialism—and I believe he used that word, and by nodding his head he appears to approve what I say. He pointed out that he would feel that they were bound to support those doctrines, and to have colleagues support them, if they were to become merged in a government which would be in the nature of a union government.

Then, finally the leader of the opposition stated that he had been elected to oppose the government, and that for that reason he did not feel that he or his colleagues could be expected to enter anything in the nature of a union government.

I take no exception to the points of view expressed by hon. gentlemen opposite, but what I would point out to them is this: When they speak about the administration placing party before war effort, of seeking to govern by rule or virtue of party, they are all open to this very criticism, in view of the positions they have respectively taken. They have each stated in their own respective ways that to them their respective parties, and the principles for which their parties stand, are the principles they are here to support; and that inasmuch as those principles differ from the principles of the government they would not be prepared to enter into a union government administration, even for the purpose of carrying on Canada's war effort.

Much was said at the time of which I speak about the embarrassing position in which members of the opposition might be placed if, as was suggested, they were to become associate members of the war committee of the cabinet. It was said that being placed in such a position would mean responsibility without power. My conception of it was quite the opposite. It was an offer to give to hon. gentlemen opposite a measure of power, without responsibility. I say that because I made it clear that with respect to whatever might be considered in the war committee of the cabinet, they would have a voice equal to that of the other members who might take part in discussions, and that in presenting their points of view they would be in a position to make suggestions, to give advice and counsel and to press their views on any matter connected with Canada's war effort. I pointed out that while all that was true, the final word or the final responsibility would have to rest with the government. I made it equally clear that that responsibility would be taken by the government, and that we would not expect any

measure of responsibility to be assumed by the associate members, other than such as hon. members associated in any great work would feel it necessary to assume. I made it clear that notwithstanding their association with the war committee of the cabinet they would be free to criticize the administration, as they might wish.

I mention these facts only because my hon. friend has referred to an effort by this party to carry on the war effort, as its prerogative. We are carrying it on—not as our prerogative, but as our duty, just as my hon. friend has said that he desires to carry on his duties and responsibilities as the leader of the opposition, duties and responsibilities second only and in many respects quite as important as those carried by members of the government.

While I am speaking I might perhaps say a word as to the work of the remainder of the session. As the leader of the opposition has intimated, there is not only a general desire on the part of hon. members to have the work of the present session wound up within the course of the next few days, but equally there is a belief that this should be possible. I wish it distinctly understood that so far as the government is concerned we are not going to seek to apply pressure to hon. members to end discussion or endeavour to prevent discussion. What we should like is to have consultation between the whips in order that the matters which it is desired to have discussed may be brought up as soon as possible, and other matters, not so pressing or relevant, left until toward the end of the session.

The leader of the opposition has asked me to give him a statement of the additional bills likely to be introduced this session. I have in my hand what I believe is a complete list of all further proposed legislation. Hon. members will see that this is not of a character likely to occasion a prolongation of the session. First, there is the Canadian National Railways financing and guarantee bill. This is an annual bill to provide for the capital expenditures of the Canadian National Railways for the current year. There will be a bill to amend the Tariff Board Act. This is simply to provide for a reduction in the salary of the chairman of the board. There will be a bill to amend the Prairie Farm Assistance Act, 1939. There will be amendments to the Canadian Wheat Board Act, and a resolution to provide for the ratification of a trade treaty between Canada and the Dominican Republic. There will be what is designated as the compensation (defence) bill, 1940. This will have to do with compensation for ships, space on ships or aircraft requisitioned or taken over for defence purposes. I understand there are

[Mr. Mackenzie King.]

supplementary estimates, but not of any proportion. With what is on the order paper, this proposed legislation gives a complete picture of what remains to be done during the balance of the session.

As a means of hastening the date of prorogation, I had thought of placing to-day on the votes and proceedings a notice of motion to begin morning sittings on Thursday of this week. I will have the notice placed there and hon. members will have an opportunity of considering it in the meantime. May I say to those hon. members who have not been in previous parliaments that I do not think I have been in a parliament when it was not found both advisable and necessary at the end of the session to have morning, as well as afternoon and evening sittings, if the business of parliament was to be wound up within a definite time. If there is a desire to prorogue at an early date, the commencement of morning sittings during the present week should enable us to conclude the business of the present session, if not this week, at least in the early part of the following week.

Mr. HANSON (York-Sunbury): Would the Prime Minister consider my request that regulations issued under the mobilization act be tabled prior to prorogation? I do not ask that he give a definite answer now, because he will probably want to consult with the department, but I think we should know to-morrow whether we are to get these before parliament prorogues.

Mr. MACKENZIE KING: I shall have a word with my colleague immediately concerned, and if possible I shall give my hon. friend an answer to-morrow.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, there is nothing before the house, but perhaps I may be permitted to endorse the viewpoint of the leader of the opposition. We feel that something more than a statement of what the government is doing is needed before prorogation or adjournment occurs. While we dislike the idea of secret sessions, we are in accord with the suggestion that an opportunity be given to discuss frankly and freely certain matters which we have hesitated to bring up in connection with Canada's defence effort. May I just say to the right hon. gentleman who referred to me a few moments ago that when I spoke of our endeavour to advance a particular philosophy, that was done in reply to a suggestion which had been made in the province of Saskatchewan by members of the Liberal party. I quote from my own remarks as reported on page 1521 of *Hansard* of July 11:

—one of the aims of the Liberal party was given as the annihilation of communism, nazism,

fascism and socialism. Consequently it would be manifestly impossible for those of us who hold the point of view of the socialist leaders who now constitute so large a part of the British government to associate ourselves with those who intend to destroy the very philosophy which we hold.

Again I desire to endorse the suggestion of the leader of the opposition that we be given an opportunity of discussing Canada's defence problems, in such a manner that we shall not be giving information or be charged with giving information to the enemy. And I think that we should adjourn rather than prorogue.

RAILWAYS AND SHIPPING

REFERENCE TO COMMITTEE OF SUPPLY OF ESTIMATES APPROVED BY SECOND REPORT OF STANDING COMMITTEE

Hon. J. L. ILSLEY (Minister of Finance) moved:

That items numbers 445, 446, 458, 459 and 460 of the estimates for the year 1940-41 be referred to the committee of supply.

It will be recalled that on Friday last a report was presented to the house by the standing committee on railways and shipping. At that time you, Mr. Speaker, gave a ruling to the effect that that report could not be referred to the committee of supply, but that the estimates referred to therein should be so referred. Accordingly I am making this motion.

Motion agreed to.

PRIVATE BILLS

FIRST READINGS—SENATE BILLS

Bill No. 105, for the relief of John Bernard Hughes.—Mr. Bercovitch.

Bill No. 106, for the relief of Annie Block Smilovitch.—Mr. Bercovitch.

Bill No. 107, for the relief of Charles-Auguste Armand Lionel Beaupré.—Mr. Abbott.

Bill No. 108, for the relief of Albert Lennox Brown.—Mr. Bercovitch.

Bill No. 109, for the relief of Talitha Emily Findlay.—Mr. Graydon.

Bill No. 110, for the relief of Joseph Armand Odilon Boucher.—Mr. Factor.

Bill No. 111, for the relief of Doris Bertha Schwartz.—Mr. Cleaver.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

LOANS TO GERMANY

Mr. HANSELL:

1. How many loans were made to Germany by or through the Bank of England and/or any other bank in Great Britain from 1932 to the present time, and what is the amount of each loan?

2. How many loans were made to Germany by or through the Bank of Canada and/or any other bank in Canada from 1932 to the present time, and what is the amount of each loan?

Mr. ILSLEY:

1. No information.

2. We have no information that any such loans have been made. In so far as the Bank of Canada is concerned, no authority for such loans exists under the Bank of Canada Act.

*MOBILIZATION ACT

Mr. ROY:

1. Will all men called up under the mobilization act be retained on service for the duration of the war in the territorial forces for the defence of Canada only?

2. Will the government authorize propaganda among these men for voluntary enlistment for overseas service?

3. If so, what measures will be taken to protect the men against excess of zeal and all kinds of intimidation?

Mr. POWER:

1. The Mobilization Act speaks for itself.

2. I do not know what plans have been made to encourage propaganda, but there is no reason why there should not be any propaganda.

3. If this question means what I think it means, it should not be on the order paper.

RAILWAY RATES TO SOLDIERS ON LEAVE

Mr. FRASER (Peterborough West):

1. What railway rates are granted to men and women enlisted in the defence of Canada who are returning to their homes on monthly leave to visit their families?

2. Do the railway rates exceed one cent per mile?

3. Would the government consider free railway rates over the government owned Canadian National Railways for men and women enlisted in the defence of Canada who are returning to their homes to visit their families and who can show monthly leave passes?

Mr. CARDIN:

1. National defence forces going on leave are granted round-trip tickets at one-way fare.

2. Yes.

3. The government has no authority to establish free or reduced railway rates. Such rates are established by the railways themselves, subject to the approval of the board of transport commissioners, which, as provided by the Railway Act, is the sole regulatory authority.

NEW GLASGOW-THORBURN, N.S., MAIL CONTRACT

Mr. BLACK (Cumberland):

1. Were tenders recently called for a contract for mail delivery between New Glasgow and Thorburn in Pictou county, Nova Scotia?
2. If so, what persons tendered, and what was the amount of each tender?
3. Which tender, if any, was accepted?
4. If tenders were not called, with whom was the contract made?
5. Was the contract let to the party who operated the said mail delivery under the contract which recently expired? If not, why?
6. What was the price paid to the said party who operated under the contract which recently expired?
7. Did the said party make any offer to renew the contract which recently expired? If so, at what price?

Mr. MULOCK:

1. Yes.
2. Sadie L. MacIntosh, Thorburn, $354; A. J. MacIntosh, Thorburn, $360; Frederick McKay Johnstone, Thorburn, $425.
3. Frederick McKay Johnstone.
4. See answer to No. 1.
5. No. Both A. J. MacIntosh, the old contractor, and his sister Sadie L. MacIntosh, who acted as his courier were guilty of political activity while carrying the mails. It was, therefore, not considered to be in the public interest to award the contract to either of these tenderers.
6. $325 per annum.
7. He tendered at $360 per annum.

GERMAN PRISONERS OF WAR

Mr. BRUCE:

1. Have German prisoners of war or internees been housed in the Calydor sanatorium at Gravenhurst?
2. If so, what rental is being paid for this building?

Mr. CASGRAIN: Mr. Speaker, I think this question should be dropped; it is not in the public interest to answer it.

Mr. HANSON (York-Sunbury): Of course it is a well known fact that a good deal of this building is being used for that purpose, and all the hon. member seeks by his question is official confirmation.

Mr. CASGRAIN: It is not in the public interest either to confirm or to deny the statement.

Mr. POWER: The question may be said to have been answered by the hon. leader of the opposition (Mr. Hanson).

Mr. HANSON (York-Sunbury): The answer is yes, but that does not answer the question as to the rental paid for the building.

[Mr. Cardin.]

WHEAT—BRITISH BIDS

Mr. PERLEY:

1. Did the British government or the British Cereal Corporation, represented by J. Rank, at any time since the 1st September, 1939, make a bid to the Canadian wheat board of 87 cents, Fort William, for No. 1 northern wheat?
2. If so, for how many bushels was the bid made?
3. How much did the Canadian wheat board sell on the bid?

Mr. MacKINNON (Edmonton West):

1. No.
2. Answered by 1.
3. Answered by 1.

WHEAT—SALES TO BRITISH GOVERNMENT

Mr. PERLEY:

How much wheat of all grades has the Canadian wheat board sold to the British government since September 1, 1939?

Mr. MacKINNON (Edmonton West): The Canadian wheat board has sold no cash wheat direct to the British government since September 1st, 1939. The direct sale of futures, amounting to 50 million bushels, was previously announced in the House of Commons. The balance of the very substantial purchases made by the British government has been made through the established channels of the trade.

WHEAT—HOLDINGS IN CANADA FOR BRITISH GOVERNMENT

Mr. PERLEY:

How much wheat of all grades is held by or on account of the British government or the British Cereal Corporation in all positions in Canada, (a) interior terminals; (b) western terminals; (c) eastern terminals, as up to July 15, 1940?

Mr. MacKINNON (Edmonton West): We have no information on the wheat holdings of the British government in this country.

WHEAT—REPORTED OFFER OF GIFT TO BRITISH GOVERNMENT

Mr. PERLEY:

1. Has the government, through the Canadian wheat board, made an offer of a gift of wheat to the British government?
2. If so, how much?

Mr. MacKINNON (Edmonton West):

1. No.
2. Answered by 1.

QUESTIONS PASSED AS ORDERS FOR RETURNS

ENLISTMENTS

Mr. DIEFENBAKER:

What is the total number of enlistments for all services to date, (a) throughout Canada; (b) in each province?

NATIONAL DEFENCE—BUILDING OF WOODEN VESSELS

Mr. ROY:

1. Does the Department of National Defence or other department concerned intend to order the construction of wooden vessels from Gaspé ship builders as suggested by them?

2. If so, when will tenders be called for?

Mr. CASGRAIN: Return tabled.

NATIONAL DEFENCE—OFFICER PERSONNEL

Mr. LACROIX (Quebec-Montmorency):

1. What is the number of officers, (a) French Canadians, (b) English Canadians, in the following branches having charge of the army administration: (1) branch G (general staff); (2) branch A (adjutant-general); (3) branch Q.M.G. (quartermaster-general); (4) branch M.G.O. (major-general ordnance)?

2. How many promotions have been made since September 1, in the different departments already mentioned, (a) among French Canadian officers, (b) among English Canadian officers?

Mr. POWER: Return tabled.

NUMBER OF CIVIL SERVANTS EMPLOYED IN 1938, 1939 AND 1940

Mr. McGREGOR:

1. How many civil servants, both temporary and permanent, were in the employ of the dominion government during each of the years 1938, 1939, and how many as of July 1, 1940?

2. What amount was paid to such civil servants during each of the above years?

Mr. MacKINNON (Edmonton West): Return tabled.

MUNITIONS AND SUPPLY—BREAD FOR TRENTON AIRPORT

Mr. STOKES:

1. How many contracts have been awarded by the Department of National Defence, or the war supply board, or the defence purchasing board for bread for the Trenton airport since January 1, 1939?

2. To whom were such contracts awarded?

3. On what dates were such contracts awarded?

4. What was the contract price in respect of each contract?

5. Was each of these contracts awarded as a result of calling for tenders?

6. If so, was the lowest tender accepted in each case, and what was the figure of each of the other tenders?

MOTIONS FOR PAPERS

UNITED KINGDOM EMBARGO ON CANADIAN POTATOES

Mr. HATFIELD:

For a copy of all correspondence, letters, cablegrams, memoranda and other documents exchanged between the British government and the Canadian government, or any department thereof, relative to the lifting of the embargo against Canadian potatoes entering the United Kingdom since the year 1935 to date.

GRANTS IN AID TO NEW BRUNSWICK

Mr. HATFIELD:

For a copy of all special grant-in-aid agreements between the province of New Brunswick, and any department thereof, and the federal government, and any department thereof, for the fiscal years 1936-37, 1937-38, 1938-39 and 1939-40.

FARM LOAN BOARD—S. T. SHABBITTS

Mr. NICHOLSON:

For a return showing:

1. An itemized account of the expenses of S. T. Shabbitts, an employee of the farm loan board, for the period January 1 to May 31, 1940.

2. The number of inspections made by S. T. Shabbitts in each month of the period January 1 to May 31, 1940.

PRIVATE BILLS

POOL INSURANCE COMPANY

The house in committee on Bill No. 32, to incorporate Pool Insurance, and recommending that the title be changed to "An act to incorporate Pool Insurance Company"—Mr. McNiven—Mr. Macdonald (Brantford City) in the chair.

Section 1 agreed to.

On section 2—Provisional directors.

Mr. HANSON (York-Sunbury): May we ask the sponsor of the bill to make clear just what the amendments were that were made in committee? While I am on my feet may I suggest to the hon. gentleman that we should have something in the name of this company to indicate that it is a limited liability company. There is no reason in the world why the word "Limited" should not be added to the name of the company. There are two schools of thought about this matter. Under the British practice, and I think under the Canadian practice in all the provinces with the possible exception of Quebec—my learned friend who is visiting me at the moment (Mr. Power) will confirm or correct me—there is in the name some word indicating to the public that it is a limited liability corporation. In the United States

they use the word "incorporated", and in England and under the federal jurisdiction here they use the word "limited". In nearly all the provinces, with the single exception, I believe, of Quebec, they use the word "limited" or "incorporated". I think my hon. friend would do well to accept my suggestion and add the word "limited" to the name, for the protection of the public.

One other thought in connection with this bill. We are getting into a socialistic state in this country when we set up a company of this kind which will eventually, I suppose, take over fire insurance and all the other types of insurance set out in section 6 of the bill. It may save time if I deal briefly with this question at this time.

There are twenty-six lines of this bill designating all the different forms of insurance contract which may be effected by this company. We must remember that this is a pool company, and that if they are allowed to go into this class of business as distinguished from the ordinary operations of a grain pool, it is just a step further to go into every class of business in the country, and that is socialism. I should like to page my hon. friend the member for Ontario (Mr. Moore) who is the chairman of the banking and commerce committee and have him express his opinion in this chamber as to setting up companies of this kind. We have in Canada old established fire and other insurance companies doing business. They serve the country reasonably well. There is competition between them—not so much, perhaps, as one would like to see, but it is an established business, and if you are going to authorize cooperatives to enter into all kinds of business, of course that is just socialism. Have we reached the stage in Canada where that is either necessary or desirable? I put that question to hon. members. I do not think it is desirable. I believe that there should be some limitations on the powers of a company like this to carry on all kinds of fire insurance. I am not going to question the bona fides of the promoters of this measure, or their ability to carry on the class of insurance contract which they contemplate carrying on, although I should feel very much safer as far as my real estate was concerned if it was covered by a policy under an old line company.

These are some of the things which I think should be mentioned on the floor of this chamber in connection with such legislation as this. I should like to know whether the government has a policy in connection with matters of this kind. What does the superintendent of insurance think about this sort of thing? I am not in a position to say, because I have not been able to attend the sessions of the banking committee, much as I should like to go to them. One of the most interesting parts of the whole work of parliament is to attend on important bills before the banking committee.

Of course, if the government gives its blessing to this type of legislation, to the class of corporation which is being set up under it, I do not know that I can stop it, but it savours to me of socialism. Are we about to enter into a socialistic state in Canada in regard to business? Well, not with my consent, at all events—a feeble voice, perhaps, crying in the wilderness. I am not ready for this class of thing, and I do not believe many of us are ready for it. Is there not such a thing as the encouragement of private business in this country? Is the profit motive so bad that we are going to put it out of business? I do not think that it has served us badly in the past. If this thing goes on and becomes successful a great many fine citizens in the western country will be put out of business. The house should pause before it puts its imprimatur on this kind of thing. I invite discussion of this measure by hon. members, and certainly I invite from the Minister of Finance a statement of the attitude of the insurance branch, which he represents here, and, in a general way, of the policy of the government.

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): Before there is any further discussion, may I draw to the attention of the committee the fact that I neglected to notice that there is a slight amendment in line 16 of section 1, the word "company" being inserted after the word "insurance". The clause thus reads—I start with line 15:

. . . in the company are hereby incorporated under the name of "Pool Insurance Company", hereinafter called "the Company".

Shall section 1 as amended carry?

Mr. COLDWELL: The leader of the opposition suggested that there might be some discussion of the principles involved.

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): We have been discussing section 2. I wonder whether we could revert to section 1—

Mr. HANSON (York-Sunbury): Yes, please.

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): —and carry section 1, and then proceed to section 2, the section which the leader of the opposition was discussing. Shall section 1 as amended carry?

Mr. SLAGHT: Mr. Chairman, in committee I opposed this bill, and I desire to oppose it in this chamber. I adopt the reasons which

the leader of the opposition has offered, and suggest to the committee that it is an entirely dangerous principle to incorporate the nine gentlemen enumerated in section 1, all of whom are declared to be farmers. I am sure the committee will acquit me of the suspicion of any direct or indirect reflection upon the farmers of Canada or upon these worthy gentlemen who seek to enter the insurance business. But if you will look at section 6 of the bill you will find that these nine farmers are to be incorporated to carry on some twenty-eight types of insurance, including accident, automobile, aviation, bond, burglary,—in fact, as I read it, practically every known type of insurance other than life. Now they seek power, and they declared in committee through their counsel that they desired to be empowered, to extend their business activity from the western provinces, in which these pools are situate, to cover all of Canada.

The superintendent of insurance, who was present, in answer to a question I put to him, told us that operating in the immediate field in western Canada, where this company primarily intends to operate, there are probably two hundred insurance companies now writing business. They all have shareholders, many of them Canadian shareholders, and they have set themselves up with capital to carry on insurance of the kind which has been useful to the west in years gone by, with an overhead which is very considerable having regard to the business carried on. And with the intimate membership in these various pools of the insurable people in the west it must be granted that this company, if we give it these broad powers, would probably get the bulk of the insurance business in western Canada, thereby shutting out the companies at present operating there and thereby causing them to raise their rates to those of us who do not live in western Canada.

Have these gentlemen shown any knowledge of the business they ask us to authorize them to undertake? Have they indicated—I am not aware of it—any capacity to deal with the intricate business problems, actuarial and otherwise, which are involved in the carrying on of these twenty-eight types of insurance? If they seek to invade the rest of Canada, as against the companies which, through good times and bad, have been doing that business there and which recently have come through a depression in which their investments have undoubtedly suffered, should we throw into the hands of these gentlemen what is so far as the western provinces are concerned practically a monopoly which will operate at all events close to infringing the provisions of the criminal code relating to combines? I ask the committee whether we should lightly clothe these men with power of that kind. It seems to me we should pause and inquire whether there is any call for additional insurance companies in Canada, whether the state of finances of the companies which have been giving this insurance service in Canada over a period of years is such that we ought to empower any group or class to combine practically to eliminate them from the field of western Canada, with the results I predict.

It seems to me that the bill is wrong in principle. Those who want to invade the cooperative field, forming their association in their own combined way, should not be entrusted with such extraordinary powers as this bill, along with the insurance act, will give to them—powers of investment of their funds and that sort of thing—unless they demonstrate to parliament their capacity to operate the particular kind of business for which they seek this special charter. Why do they not incorporate themselves under the provisions of the general insurance act? Or why do they not secure one or more charters to carry on the types of business which they seek to carry on? I am subject to correction, but I know of no single insurance company in Canada that has authority to carry on the twenty-eight types of insurance covered by this bill.

Mr. McNIVEN: In that regard I am informed, and Mr. Finlayson so informed the committee, that section 6 is a reproduction of the model section which for years has been used in the incorporation of insurance companies in the House of Commons.

Mr. SLAGHT: If that be so I venture to say the superintendent of insurance would also hold the view that it is a dangerous thing to give to one particular class a special privilege of this kind to invade a field which in the past has been operated in by companies with large capital. It seems to me the question is worthy of careful consideration.

Look at section 7. The amount of capital which this new company is required to place behind its obligations is divided into various amounts allotted in respect of the different types of insurance.

For example, the amount they are obliged to subscribe and pay in in order to conduct automobile insurance throughout the whole of Canada is only $20,000. Is there any real security to a policyholder who holds an automobile insurance policy in a company operating clear across Canada when the capital stock behind that policy may be no more than $20,000?

Mr. McNIVEN: The hon. member creates a wrong impression when he suggests that the only asset available for the carrying on of automobile insurance is a paid-up capital of $20,000. The initial capital of the company must be $250,000 with $125,000 paid up. As they undertake each branch of business enumerated in that section, additional sums of paid-up capital are required, so that the additional sum plus the initial sum is available for each branch of business carried on by the company. May I add that Mr. Finlayson explained to the committee that sections 6 and 7 are merely reproductions of the model bill which for many years has been in use for similar companies in the House of Commons and the Senate.

Mr. SLAGHT: Well, some models become obsolete very rapidly. Accepting the explanation the hon. member has been kind enough to make that in addition to $20,000 for automobile insurance there would be behind the policy a pro rata portion of the paid-up capital of $125,000—

Mr. COLDWELL: The whole of it, not pro rata.

Mr. SLAGHT: Then what would be done about the other twenty-seven types of insurance?

Mr. COLDWELL: More capital would be put up each time.

Mr. SLAGHT: Yes, there is an added provision, but let us see how much security there is behind the paid-up capital of $125,000 which can be fairly allocated to the item of automobile insurance. Twenty-eight types of insurance, with various amounts to be subscribed in addition, only two of which are less than $20,000, divided into $125,000 paid-up capital would give you less than $5,000.

Mr. COLDWELL: But they are not doing that business; they do not propose to do all these things. This is just the usual clause.

Mr. SLAGHT: Then let us give the nine gentlemen skilled in agriculture the power to do only what they do propose to do. Why give them a blank cheque to venture upon the dangerous sea of all kinds of business?

Mr. COLDWELL: Would the hon. member apply that observation to Sir Herbert Holt?

Mr. SLAGHT: Certainly, apply it to anybody.

Mr. COLDWELL: Well, it has not been so applied.

Mr. SLAGHT: I have not the privilege of knowing my hon. friend's friend Holt, but I would say that to some of the criticism I have heard of him I have never heard his answer. Perhaps he might be better equipped than these applicants to carry on an insurance business. He has had experience in banking. My hon. friend is putting it in a friendly way, but I am pointing out that the pro rata share of the $125,000 you are going to compel these gentlemen to pay, if divided equally among the types of insurance they are asking power to transact, would mean less than $5,000 for each line. If you added $4,900 to the $20,000 you would have something less than $25,000. In other words you are starting men off to run an insurance business on automobiles clear across Canada with a paid-up capital behind those policies of approximately $25,000.

Mr. HANSON (York-Sunbury): One big claim would wipe them out.

Mr. PERLEY: Will not the same practices and customs be followed as are followed by all other companies, including the underwriting of a considerable percentage of their business? All the automobile insurance business could be underwritten.

Mr. SLAGHT: I am glad my hon. friend brought that up. I recall hearing learned counsel representing the promoters tell the committee that they intended to underwrite a great deal of this business. He thought they would underwrite ninety per cent of it, which would leave them doing only ten per cent of the business. In other words the chief promotional interest behind this bill is to become middlemen or brokers or canvassers for insurance.

Mr. HANSON (York-Sunbury): Or scalpers.

Mr. SLAGHT: I should not want to use the word "scalper," because in some other callings it carries obnoxious inferences; but after all they are not real insurance men and cannot pretend to be.

Mr. McNIVEN: I know the hon. gentleman would not willingly leave a wrong impression in regard to what counsel said before the banking and commerce committee. He did say that they now have a company operating in Manitoba, Saskatchewan and Alberta, the ownership of which is vested in the three western pools. He said that company at present was writing a certain volume of business out there and was reinsuring about ninety per cent of that business. He further stated that they intended to continue to reinsure their business until such time as the growth of the company and the increase of their reserves warranted their carrying a greater proportion of the business themselves.

Mr. SLAGHT: Perhaps my hon. friend may more accurately state the position taken by counsel, but it is on record and can be referred to if necessary.

Mr. McNIVEN: Unfortunately that is not so; no record was kept of the proceedings before the banking and commerce committee.

Mr. SLAGHT: Then I will take it that the hon. gentleman has stated the case exactly as it was stated by counsel for the company. They have been carrying on in a small way, underwriting ninety per cent of their business in the past; and for the immediate present they intend to carry on in that way. If their venture into the field of finance and insurance turns out well, they will perhaps some day write fifteen per cent of their insurance and reinsure eighty-five per cent of it, and so on up the scale of financial splendour. But that does not remove the objection I have to the bill, which is admittedly a class bill, concerning a class for whom I have the greatest respect; I have many farmers in my riding. Should we permit them to go into a field unknown to them, so to speak, in which they will compete with long standing companies that have had lean years? Should we permit them, thinking perhaps that we are on the up-grade in the matter of insurance and similar activities in the west, to supplant, because of their capacity for herd insurance, companies whose shareholders throughout Canada are in a sense dependent upon their revenues? And there is the second evil, that if they invade the rest of Canada and wipe out many of the insurance companies at present operating in their own field, the rates will be raised on policies held by shareholders in Ontario, Quebec and the maritimes. In my view it is a dangerous experiment, though I hold the greatest respect for the hon. member who is sponsoring the bill in this house.

Mr. COLDWELL: We have listened to an extraordinary speech from the Liberal benches. My idea of the essence of liberalism is that it stands for the preservation of free competition in a free, competitive society; yet here we have a member rising on the Liberal side and suggesting that a certain group of people are seeking to invade a preserve which is the special privilege of certain people who have been carrying on that sort of business for a considerable length of time, and that therefore we ought to keep out a group of people who wish to embark upon this enterprise. When I heard the hon. gentleman suggesting that a group of farmers could not direct a business of this description my mind went back exactly a hundred years to the story of the Rochdale cooperatives, a group of semi-literate working people in Great Britain who laid the foundations of the greatest cooperative business in the English-speaking world.

I should like to tell my hon. friend that this group of farmers in western Canada have had some experience in the operation of big business; and that even if they had not the experience they could do what other cooperative and mutual societies, and big businesses, have done; that is, hire the brains to conduct the technical operations for them. I have in mind at the moment one of the largest insurance companies operating in western Canada, the Wawanesa Mutual Insurance Company, of Wawanesa, Manitoba; and the hon. member for Portage la Prairie (Mr. Leader) reminds me of the Portage la Prairie mutual as well. These companies were organized by groups of farmers, and to-day they are giving some of the best insurance services that we have in this dominion. As I interjected when the hon. member for Parry Sound (Mr. Slaght) was speaking, after all what does Sir Herbert Holt know of the multifarious businesses which he directs? He is neither omniscient nor, I hope, omnipotent; but at least he directs textile companies, banks, power corporations and mining companies. Yet when a group of farmers come before this house asking for the same rights that we have been giving to various other individuals, we are told that they ought not to invade this field.

I hold no brief for the pools except to this extent, that I believe the time has arrived when the farmers and the common people generally of this country have to look after their own business and cooperate to mind their own business; and this group of farmers in western Canada are endeavouring to do that very thing. The law lays down the conditions under which they must operate. The superintendent of insurance must look into every operation they conduct and oversee everything they do. We have had the same sort of discussion with regard to the proposed Alberta provincial bank. We are told that the Alberta government cannot operate the bank. The people who are directors of the chartered banks to-day do not operate them either. The people who direct the textile industry and power corporations do not operate those corporations. They get the technical advice which qualifies them to do so. And the very fact that we have two hundred competing insurance companies on the prairies and elsewhere in Canada paying commissions of, we will say, 15 per cent or 20 per cent as minimum rates, for the securing of business, shows that to that extent the competition is wasteful. Our farmers, mutually and cooperatively working together, want to save them-

selves wasteful expenditure, in view of the fact that they are important users of these services.

I contend the time has come when the principle of cooperation must be expanded into ever-widening fields of human endeavour, and that in this parliament we should be encouraging rather than discouraging that sort of thing. I am quite sure that in a few minutes we shall be faced with the suggestion that the pool directors are asking for a monopoly. Cooperation cannot lead to an objectionable monopoly. A monopoly of a service may be left safely in the hands of peoples' cooperatives; but that is a very different thing from a monopoly owned and controlled by a small group of persons whose only interest is the profit they can wring out of it.

I submit that the committee ought to give this measure its full support and thereby allow the farmers of western Canada to conduct this business in their own interests, which after all will be the interests of the majority of people in Canada. Whether we like it or not we must face the fact that the agricultural community is faced with a grave crisis. After the war that crisis may become intensified rather than minimized; we may find ourselves in the position of having to engage in violent competition for the markets of the world. That condition may not develop immediately after the war, but I should expect it in two or three years' time. Consequently anything which will enable the farmers to produce at a lower cost to themselves is in the final analysis an advantage to all of Canada. For these reasons I should like to see this bill accorded the support of this committee.

Mr. SLAGHT: The hon. member for Rosetown-Biggar (Mr. Coldwell) has misunderstood the real basis of my objection to the bill.

Mr. COLDWELL: I am sorry.

Mr. SLAGHT: He has said that Liberalism tends to throw everything wide open, thereby permitting everybody to compete in everything. Let me illustrate my view in the matter. Take as an example the occupation of teaching. Boards of education set up teaching standards, and those who wish to become teachers in the schools or universities have to educate themselves so to do. They have to pass tests and examinations, and must receive the right to teach. If a teacher were to come to the House of Commons asking for a private bill to place him in the teaching business I should be opposed to it, and I have no doubt the hon. member for Rosetown-Biggar would oppose it too.

[Mr. Coldwell.]

Mr. COLDWELL: Quite; but the analogy is not sound.

Mr. SLAGHT: My hon. friend says the analogy is not sound. In any case I have stated the gist of my objection to the bill as I should like him to understand it.

Mr. CRERAR: It was not my intention to say anything respecting this bill, but really I must take exception to the observation of the leader of the opposition that this is a socialist measure.

Mr. HANSON (York-Sunbury): "Social"—hardly that. I said it savoured of socialism.

Mr. CRERAR: In the discussion which has taken place in the last half hour or so some interesting points have been revealed. It would seem the leader of the opposition regards this as a socialist measure, and suggests therefore that we should be very careful in adopting it. I fail to see where there is any reason for the suggestion that it is a socialist measure.

Here are a group of farmers doing a large business in grain—the most natural thing in the world. They want to provide means whereby they can carry their own insurance. As a matter of fact several years ago the grain dealers in Winnipeg and some elevator operators obtained a charter to create a company to carry the insurance on grain in various places in which it might be found. That effort was never regarded as socialistic. This is the development of a praiseworthy attitude which is entirely opposed to the ordinary conception of socialism. For that reason I believe it should be encouraged.

This is a cooperative effort. These people are not coming to the government asking that it carry their fire insurance. No, they propose to do it themselves, subject to the laws of the country. They come under the insurance laws of Canada, just the same as would any other insurance business in the dominion.

I must confess I was surprised to hear the hon. member for Rosetown-Biggar (Mr. Coldwell) say, in support of the bill, that farmers and others should be encouraged to look after their own business. I fully agree, but that is not the socialist doctrine we have heard from members of the Cooperative Commonwealth Federation.

Mr. COLDWELL: My conception of socialism is a cooperative society.

Mr. CRERAR: It is not the conception we have heard from the hon. member for Rosetown-Biggar. For instance, it is not the argument we have heard in regard to wheat.

Mr. COLDWELL: Yes, it is.

Mr. CRERAR: It is not what we have heard in connection with several other matters. Under this measure the Pool Insurance company are not coming to the government for favours. They are asking power to do business, power similar to that given by the state to others. They are willing to subject themselves to the rules and regulations of the insurance branch. I see no reason on earth why they should not have their charter.

I hope hon. members of the Cooperative Commonwealth Federation will keep in mind what I have said. I will march with them all the way in the creation and development of cooperative effort, but I cannot march with them all the way when they want to thrust upon governments duties which, under our theory of government, it is not the function of government to perform.

I must take exception to the observations of the hon. member for Parry Sound (Mr. Slaght). I do not believe his argument is a sound one. He suggests that if a group of farmers were to create an insurance company to look after their own business they might bring about a form of competition which would be bad for similar business in other parts of Canada. I suggest this is not a valid argument. They can extend their business and see it grow only under competitive conditions. They are not asking for anything which would remove those competitive conditions. If under competitive conditions the business set up by these gentlemen increases, surely that will not be detrimental to the country. I suggest it would be a good thing; consequently in that respect I agree with the hon. member for Rosetown-Biggar.

I commend to the thoughtful consideration of hon. members of the Cooperative Commonwealth Federation, not only in the house but throughout Canada, the statement of the hon. member for Rosetown-Biggar that farmers and others should be encouraged to look after their own business—

Mr. COLDWELL: Yes.

Mr. CRERAR: —and not come asking that the government—

Mr. COLDWELL: Oh, we did not say that.

Mr. CRERAR: —go into every kind of business.

Mr. COLDWELL: I did not say that.

Mr. PERLEY: May I say a few words in support of the measure? On this occasion to some extent I must agree to disagree with my leader, something which I am glad to say I do not have to do often.

I believe I attended most of the sittings of the committee, where the bill was thoroughly discussed. In fact I was going to say it was thoroughly threshed out. In referring to the bill the hon. member for Parry Sound referred to this type of insurance as "herd" insurance, and I believe he used other agricultural terms. We threshed it out pretty thoroughly. The superintendent of insurance was there. The bill was opposed; I think the hon. member for Parry Sound offered some objections to it, as did the hon. member for Queens-Lunenburg (Mr. Kinley). But it was also supported, and when a vote was taken it was approved in its present form by an almost three to one vote.

I am not afraid of this legislation should it come into force. I do not think it will result in creating more socialism in Canada or that it will act in a way detrimental to the people of Canada. As the hon. member for Rosetown-Biggar (Mr. Coldwell) has said, it is purely a cooperative measure, and I am glad the Minister of Mines and Resources (Mr. Crerar) has agreed with him to that extent. The counsel who was piloting the bill through the committee stated that for a time they would have to adopt the principle of underwriting a great deal of the insurance, and the hon. member for Regina City (Mr. McNiven), who is sponsoring the bill, has made that quite clear. The bill was discussed in detail in committee and the general practice has been to allow such bills to pass once they have been approved in committee after thorough discussion.

Mr. ILSLEY: Mr. Chairman, the leader of the opposition invited me to give some indication as to the attitude of the government toward the bill, and particularly the attitude of the department of insurance. The department of insurance has no objection to the bill, in fact it is in favour of it. The government has no objection to the bill. The situation seems to be this: Nearly twenty years ago there grew up a form of insurance company in western Canada which has proved very prosperous. The pools now wish to start a similar company. The main thing from the point of view of the public interest is whether the policyholders are adequately protected. I do not think that we can deny to those engaged in this particular form of the grain business a right which has been granted to private interests generally.

In one of his reports to me on this bill, the superintendent refers to the tendency of persons engaged in business to form themselves into mutual associations for the protection of their own interests. He goes on to say:

This is not the only case that may be cited of capitalistic groups favouring the organization of mutual insurance organizations for the purpose of reducing their insurance costs. There are the so-called "trade mutuals," such as the hardware mutuals, the mill owners' mutuals, the lumber mutuals, the druggist mutuals and others. Many of the patrons of these mutual insurance companies are quite intolerant of the introduction of the mutual principle into the business in which they are themselves primarily engaged, while viewing with a benignant eye the principle of mutuality when applied to the items raw material and operating costs; as producers they are rightists, as consumers leftists.

He then goes on to report in favour of the bill, based on the decision that the policyholders will be adequately protected. Perhaps I may be permitted to read a few passages from the report of the superintendent of insurance. He states:

That the financial basis of the insurance company is wheat and the company will therefore be financially jeopardized by collapse of the export market for that commodity.

With the first point I dealt in my memoranda of the 17th.

On the second point I have no fears that the hazards of the wheat market will endanger the interests of the policyholders of this company. The premiums paid by policyholders to this company will not be paid in wheat, or in any kind of money other than real money. That money will be invested within the restrictions of the general act, and it will be this department's duty to see that the funds are used only for the legitimate purposes of the company. The claims for losses will be paid in real money and, if at any time the wheat market should collapse, the volume of new business obtainable may thereafter very greatly decrease, but the claims of policyholders in the company will continue to be paid from the reserves maintained, or the business as a whole will be reinsured, using the securities representing those reserves as the reinsurance premium necessary to procure that reinsurance.

The only item in the company's assets which might suffer from a wheat disaster is the uncalled capital of the shareholders. The act provides for an authorized capital of $500,000, with provision for increase to $1,000,000. Before any kind of business can be commenced at least $250,000 of the capital must be subscribed and at least $125,000 paid in cash thereon. (Section 7, subsection (1)). Before any business, other than fire and allied minor classes of insurance, can be undertaken, the subscribed capital must be increased to at least $350,000 and additions made to the paid capital, depending on the class of insurance added. (Section 7, subsection (2)). The present subscribed capital of the provincial company is $200,000 with something less than $100,000 paid thereon.

It is probable therefore that for some time the subscribed capital may be only partially paid and the unpaid balance subject to call. The department, however, has always treated subscribed and unpaid capital as a non-admitted asset so that no account is taken of that item in arriving at the financial standing of the company. It is a useful asset in the event of a temporary emergency but, in the event of liquidation, is likely to be of little value. Our experience is that it costs more to collect uncalled capital in liquidation than the amount yielded by the effort.

To illustrate the margin of security available in the event of the reinsurance of the company as a whole becoming necessary, it may be pointed out that the act requires such a company at all times to maintain admitted assets at least equal to 115 per cent of its liabilities to policyholders, including the full reserve of unearned premiums. If the 15 per cent margin is depleted to any extent, it is the duty of the department to see that it is at once made good, failing which, reinsurance may be compulsory. Ordinarily in reinsurance a commission is obtainable from the reinsurer for the value of the business thus acquired and for the goodwill of the agency organization. That reinsurance commission is usually stated as a percentage of the full reserve of unearned premiums mentioned above, and ordinarily that percentage is not less than 25 per cent nor more than 50 per cent of that reserve; a common percentage is 40 per cent. Assuming the lowest rate, it means that while the company maintains assets equal to 115 per cent of its liabilities, it can dispose of the same for not more than 75 per cent of those liabilities. There is therefore a margin of safety in the ordinary case of at least 40 per cent of the liabilities.

The basis of the stability of our insurance companies is that departmental action must be taken before it is too late and while there is a reasonable margin of safety to provide for any reasonable adverse contingency.

I do not know that I need to read any further from the report. So far as the department of insurance and the government are concerned, there is no objection to the bill because it is felt that the interests of the policyholders are adequately protected.

Mr. HANSON (York-Sunbury): If the superintendent, in whom I have the greatest confidence, has given this bill his blessing, and the government have no objection to it, I suppose it will go through. I should like to point out that the incorporators are asking authority to transact any and every kind of insurance contract of which I have heard.

Mr. McNIVEN: Except life.

Mr. HANSON (York-Sunbury): Cooperative associations are promoting this bill. I am in accord with the principle of cooperation *qua* the business of the cooperator. I know something about the lumber mutuals and they certainly have been the proper thing in connection with the insurance of mills, especially large mills. They have saved a great deal of money to the policyholders, principally because of the service they have given and the recommendations they have made with respect to sprinklers and the improving of conditions both in and outside the property. When these recommendations are

made there is an automatic reduction in the premium. All these things are to the good, but they are within the particular industry.

That is the principle upon which the lumber and mill mutuals are carried on, but it is not the case here. I have no objection to these cooperatives carrying on business within their own industry, but what are we to think of a company which asks permission to write earthquake insurance, burglary insurance, falling aircraft insurance, guarantee insurance, inland transportation insurance, inland marine insurance, marine insurance, plate glass insurance, sickness insurance, and so on? It will readily be seen how that request takes this company outside the principle of the cooperatives. I shall not take up any more time except to ask the sponsor of this bill to consider the first suggestion I made, that the word "limited" be added to the name of this company where it appears in line 16 of section 1. There cannot be the slightest objection to that.

My recollection is that when this bill was first introduced the company was to be known as Pool Insurance, and in some place—I assume in the banking and commerce committee—the word "company" was added. I want to go the whole way and to conform to the British practice and the established Canadian practice and let the public who will be dealing with this company know that it is a limited liability company. Certainly that ought to be done so that the unwary insurer will know that he is dealing with a corporation whose ability to pay is limited, and very seriously limited, if they enter into all the different forms of insurance business which are anticipated and which they are capable of carrying on under this bill. I throw out that suggestion and leave it to the sponsor. I am not going to move an amendment.

Mr. THORSON: There can perhaps be no objection to the suggested amendment, but I submit that it is not necessary.

Mr. McNIVEN: As the sponsor of the bill, and answering directly the suggestion made by the leader of the opposition (Mr. Hanson), may I say that this bill was first introduced in the senate and was referred to the senate banking and commerce committee, where it was discussed. After the bill had passed through the other place it was introduced here, given a first and second reading, and referred to the banking and commerce committee of this house. This committee during several sessions had the benefit of the opinions and advice of Mr. Finlayson, the superintendent of insurance, and as I understood it, when the particular suggestion of my hon. friend was made, Mr. Finlayson was of the opinion that as this company was subject to the provisions of the Canadian and British Insurance Companies Act, 1932, the word "limited" was not necessary. I find on reference to a number of similar acts passed in previous years by this house that the word "limited" is not specified in any of them. They were all joint stock companies and by the provisions of the general act the word "limited" becomes part of their capital structure.

Mr. HANSON (York-Sunbury): I do not understand that.

Mr. McNIVEN: Possibly for the benefit of those who are not on the banking and commerce committee it might be advisable to give something of the history of the applicants for this bill.

Reference has been made to the nine gentlemen who are applicants for this incorporation as farmers. These gentlemen are nine of the directors of the three western pools. For a good many years they have been engaged not only in the business of farming but in the marketing of grain through the western pools. The western pools own a lot of property, some 1,800 elevators in western Canada, terminals at Port Arthur, Fort William and Buffalo; and they have other terminals under lease at various strategic points. They also own cottages which have been built beside these country elevators for their employees. They have in the city of Regina, for example, a large office building, and another large office building, I believe, in the city of Winnipeg. They have a large number of employees, and for the purpose of looking after the insurance of their property the three western pools set up a subsidiary company, which for years has handled all the insurance on this wide variety of property owned by the western pools, as well as insurance on their employees, sickness and accident insurance, burglary insurance and employers' liability. So that when these gentlemen come before the house and ask for incorporation as an insurance company they do not come as novices in the insurance business, as the hon. member for Parry Sound would have the committee believe. One year ago they incorporated a company in Manitoba which as a provincial company has been doing business in Manitoba, Alberta and Saskatchewan. That company is managed by the same individuals who for years have looked after the insurance on pool properties.

The pools handle a great deal of grain through the 1,800 elevators which they own. These 1,800 elevators are subject to the Canada Grain Act and must be licensed by the board of grain commissioners. As a con-

dition of granting the licence the board of grain commissioners insist that the grain stored in these elevators be insured in a company approved by the board. When the western pools proposed the Manitoba-incorporated company as a company for the insurance of the grain in their elevators the board of grain commissioners demurred. The board stated that while they had no objection to the company itself, they would like any company carrying insurance on grain in elevators licensed by the board to be subject to the supervision and inspection of Mr. Finlayson of the department of insurance of this government. Because of that expression of opinion by the board of grain commissioners, the group which incorporated Pool Insurance in Manitoba has come to this parliament for the incorporation of Pool Insurance Company, intending that this company, when incorporated, shall take over the business now being carried on in Manitoba, Saskatchewan and Alberta by the provincial company.

The hon. member for Parry Sound has referred to the incorporators as if they were mere novices. I think I have established that these men have a background in big business and in the insurance business. As every lawyer in the house knows, lawyers frequently use the names of their office staff as the incorporators of companies. This house has frequently been called upon to incorporate a group of individuals who were merely dummy directors, a screen for the real interests behind the company. But in this respect this particular company differs. The men who are applying for this incorporation are directors of the institutions which intend to invest their money in the company and whose property will be insured in the company once it is incorporated.

The hon. member for Parry Sound also questioned the advisability of incorporating this company on the ground of inexperienced management, an objection similar to that taken by the leader of the opposition. He forgot for a moment the statement of the hon. member for Victoria, Ontario, that 80 per cent of the farm properties in Ontario are insured in mutuals, and the mutuals are largely owned, controlled and managed by the farmers. Yet, when that is true in his own province he would deny the western farmer through the medium of his own organization the right to insure his own property.

In another statement the hon. member was fair neither to himself nor to the people he represents, when he said that there are now two hundred companies carrying on insurance business in Canada and that if this particular company managed to get a large part of the insurance in the west it would reduce the volume which the two hundred companies would get and thus increase the rates of insurance to people who reside and desire insurance in eastern Canada. Surely he does not intend that these two hundred companies should enjoy a monopoly, that they should perpetuate their rates and their business at the expense of western Canada; and surely he does not express the opinion of the people of eastern Canada when he says that business placed with a western company in volume will result in increased rates by companies insuring properties in eastern Canada, and therefore this incorporation should not be permitted.

Something has been said about a monopoly. The applicants for this incorporation do not desire a monopoly. They are opposed to monopolies. The three western pools own approximately twenty per cent of all the elevators in western Canada, and in 1928 and 1929, in the heyday of their existence, never handled more than half the grain of western Canada. It will be remembered by those who are interested in the organization of western pools that it was once thought an organization could be set up which would influence the price; that is, obtain a higher price for wheat. Since then, world conditions have changed the picture and have demonstrated the impossibility of any western or other organization influencing upwards the price of wheat. Some of those in the western pool have come to the conclusion that, since the price of wheat is fixed by world conditions, organized effort in the future should be centred upon a reduction of the cost of everything which enters into the production of wheat. They are now asking for this measure as a means of reducing the cost of insurance.

The hon. member for Parry Sound expressed regret that the sponsors have asked power to deal with some twenty-eight different branches of insurance. I have examined several insurance acts passed by parliament, and I find that the kinds of insurance which these companies are permitted to write vary in number from twenty-four to twenty-eight. Section 6 conforms with the principle followed in respect of companies incorporated by this parliament for a number of years, at least as far back as 1928.

It is not the intention of this company to branch out at the present time into all these types of insurance. The pools will insure their own properties. Later on, individual members of the various western pools may desire to insure their property in this company. If so, the company has the authority and the power so to do. The provincial company is a member of the Western Canada Underwriters'

Association, and abides by the rules, principles and practices of that board. It also has with a number of companies reinsurance arrangements which it intends to continue until such time as its reserves are built up to a place where it is safe for it in the interests of its policyholders to carry a greater share of that insurance in the company itself.

Mr. KINLEY: Mr. Chairman, I opposed this bill in committee, not because I have any quarrel with cooperatives—as a matter of fact I am in favour of cooperatives; I think they should be stimulated and encouraged—but because when cooperatives become monopolies, it seems to me they are entering upon a field which deserves attention from the whole of Canada.

I opposed this bill first because section 10 sets aside the Canadian and British Insurance Companies Act, 1932. In so doing, it affects the independence of directors and creates an opportunity for the interlocking of companies which I believe in this instance will become an invasion of the Combines Investigation Act. That act defines "combines" as a combination, having relation to any commodity which may be the subject of trade or commerce, of two or more persons by way of actual or tacit contract, agreement or arrangement having or designed to have the effect of—

(1) (v) preventing or lessening competition in, or substantially controlling within any particular area or district or generally, production, manufacture, purchase, barter, sale, storage, transportation, insurance or supply.

This bill sets aside in section 10 the general act. It appears to me that if people want to come here for legislation they should accept the general act and not ask for privileges.

The set-up of the institutions which are applying for this bill consists of, as I understand it, a wheat pool in Manitoba, a wheat pool in Saskatchewan and a wheat pool in Alberta. These three pools, which were formed for the cooperative marketing of primary products in the west, are combining together to go into the insurance business and to invade secondary business. I believe you will agree, Mr. Chairman, that the foundation-stone of these three cooperatives is wheat. I wonder whether the wheat situation at the present time, as regards the amount we have on hand, our prospects for marketing, and all the conditions surrounding it, is stable enough to base the whole economy of western Canada on wheat, because this is not a small business, it is a big business. I understand that these companies have done as much as six hundred million dollars worth of business in one year. They have reserves running into millions, and we were told by the solicitor who appeared before the committee that they could not have independent directors of this company because there was no one in that part of the country who had $2,500, which is required under the general Insurance Act to qualify a man as director.

Mr. McNIVEN: I do not think the hon. member would like to leave a wrong impression. Mr. Milliken who appeared as counsel in support of the bill did not say that there was no one in western Canada who had $2,500. What he said was that the supporters of the bill, the directors of the pool themselves, were not in a position to put up $2,500 as a condition to becoming directors of the company.

Mr. KINLEY: I thought it was a strange thing for the solicitor to say, but he said they could not find anyone with $2,500.

Mr. McNIVEN: No, I disagree.

Mr. KINLEY: This directorate is set up as a dummy directorate. The way they qualify them is by the pool subscribing $25,000 to the stock of the company and the man represents that pool. There are no individual directors chosen from the farmers of the west for this company. In another section of the Insurance Act this selection of directors is further restricted, in that no paid official of a company can be a director except certain officials. So it means that the presidents and vice-presidents of the pools will be the directors of this company, and they will have a monopoly in that they command the trade of western Canada, and can as it were "gang up" against the rest of the community and invade secondary business without the expense of going after it in the usual way.

The pools have not always been self-supporting. This country has given funds for the maintenance of the structure of grain in western Canada—we are not complaining about that—but that money came from the people of Canada and from private business in Canada. It seems to me that this aspect should be taken into consideration when they use these pools for the purpose of invading unduly and in an arbitrary and monopolistic way the business of the country.

Our Combines Investigation Act was necessary in order to maintain competition and prevent strong and influential companies from monopolizing trade. That was penalty legislation. I suggest that it would be better to attack the problem at its source, that is

the proper control of corporation law contained in both federal and provincial statutes. I refer to limited liability, because there can be corporations with unlimited liability, and others with what is known as double liability. Then again there is the individual who takes the responsibilities of his business in his own name. Limited liability was considered a masterpiece of legislation when it was first enacted in England, and no doubt it was the background of Britain's industrial development, but it has grown and developed to such a degree that it has become to-day the vehicle upon which most of the iniquities of big business ride. When we create a company we create another person in law, who can be clothed with great powers and privileges. With the aid of a few friends and some money, those who control that company can create another company or person, and with favourable circumstances continue the operation until they have a number of companies, all doing the will of the creator who controls them. It gives a man the privilege of making a contract with himself. He interlocks the directorates and makes one serve the other and all serve the master mind behind them. Hon. members have all heard of the South Sea Bubble, which was the collapse of big business, causing a scandal such that public opinion was aroused. We are told that the directors were punished by having everything taken from them but their clothes.

Now the pools asking for this incorporation evidently are a combination of those operating in Manitoba, Saskatchewan and Alberta, a large organization doing an immense business, an organization that has been indirectly subsidized by the government of Canada to the extent of millions. This money came from the taxpayers. We are told these companies make no profit; it is incidental to their operation. But in the past I believe that they gambled in wheat futures, with the result that they made losses and gains of great magnitude. Furthermore, when a previous government was holding the wheat of this country these pools were paid rather stiff amounts for the storage of grain. They certainly were making profits and losses. The question is, do the primary people interested get the profits.

Mr. McNIVEN: The hon. member has made a statement that the western Canada pools gambled in wheat futures and thereby sustained substantial losses. That is quite a serious charge, reflecting upon organizations representative of a large number of people. It is not borne out by the facts, neither is it consistent—

[Mr. Kinley.]

Mr. HANSON (York-Sunbury): One speech at a time.

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): Only with the consent of the hon. member for Queens-Lunenburg has the hon. member for Regina City the right to speak now.

Mr. McNIVEN: Nor is it consistent with the story told of the operation of the western pools by Mr. Milliken before the banking and commerce committee. What Mr. Milliken said there was that on three or four occasions the western pools had gone into the market and bought wheat. But they have never sold wheat short. My only reason for interrupting —and I apologize to the hon. gentleman for doing so—is that I did not want that statement to go out—

An hon. MEMBER: What is the statement?

Mr. McNIVEN: —that the western pools have been gambling in wheat futures and caused their organizations losses of millions, without a reply and a contradiction being made at the time.

Mr. McGEER: They are not going to sell insurance short, are they? What has that to do with the insurance business?

Mr. KINLEY: The point I am making is that we are basing secondary business on a wheat economy. On account of world conditions to-day that economy is not in a stable condition, also it is dependent on such factors as rain; unless rain falls in the west, the wheat structure goes down and a condition will follow that will involve all the business of western Canada. This company depends on the wheat pool. The pyramid is only as strong as its foundation.

I bring this to the attention of the committee not so much to oppose this bill as to show that the people of western Canada are about the same as people in other parts of this country. It is interesting to see how the iniquities of big business, complained of in the east, have invaded the cooperatives so-called in the west. The Combines Investigation Act was passed to guard the situation, and I regard this as a combine which will infringe the Combines Investigation Act. No doubt the wheat pools of western Canada have a great deal of influence, with which they can demand business. They have an unfair advantage in competition because probably they will command business without the expense of going after it. Human nature is essentially the same everywhere. Greed and selfishness uncontrolled will grow and become powerful. We blame our troubles on

the capitalist system. That system is not perfect, but it is the best system that has been devised for orderly progress and to serve the people. Usually it is not the capitalist system that is at fault; rather it is the abuse of the capitalist system.

In my opinion this legislation is an attempt to monopolize and control the lives and destinies of others. No doubt the next attempt, if the pools survive, will be the creation of banks; again they will want to invade the general law and secure privilege. This privilege is demanded because a number of people want it, and they claim special virtues, which in the end will turn out to be just as greedy and selfish as the iniquities of big business, which during this century has been attacked both in the United States and in Canada. Always the best legal minds have been used to explore the possibilities of corporation law, and the keenest business brains have used it to become unduly powerful and wealthy. Then, if and when disaster comes, with limited liability they crawl out from under with perfect safety, and as usual the public suffers.

I have no objection to cooperatives; in fact, I believe in them. The community in which I live was built up on this system, but it was not built up as a class movement. People made profits; and business without profits is something that hardly goes with a democracy. I do not think I need say more, Mr. Chairman, except that in future, when people begin talking about big business or of business which controls the affairs of people, I hope those in some parts of Canada will look to themselves, and not preach a philosophy of socialism because of iniquities that may exist in other parts of the country.

Mr. FAIR: I am sorry that a talk such as that given by the hon. member who has just taken his seat should be heard here to-day. I believe we all realize that the wheat growers of the west and the wheat pools are having a hard time to get along, and I believe the reason for that is recognized by every sane, thinking man in this country. Certainly I was surprised to hear the remarks of the previous speaker, coming as they did from an hon. member whom I had credited with more intelligence than I can credit him with in future.

The hon. gentleman said the business of the secondary industries would be monopolized by this pool insurance. I should like to ask him who are better entitled to any profits or savings that may be made in connection with the insurance in which the company intends to deal than those who are paying the costs. This bill has been brought in for this very simple reason, that the pools want to decrease the cost of their insurance, and I believe it is a perfectly legitimate business.

Mr. KINLEY: If the hon. gentleman will pardon me, counsel for the company told us they were members of the underwriters' association.

Mr. FAIR: I was not able to hear everything the hon. gentleman said during the course of his remarks, nor was I able to catch his interjection, but he made one statement I should like to contradict. The hon. member said the wheat pools had cost this country a great deal of money. I want flatly to contradict that statement. I happen to know quite a bit about the wheat pools, and I know that if they had been permitted to operate freely that statement could not have been made. I do not think it can be made anyway. I do say to the hon. gentleman that after the man-made crash of 1929—for which perhaps the hon. gentleman has been speaking the government took over several millions of bushels of wheat which were being held by the pools, and the way that wheat was handled finally cost the members of the wheat pools several millions of dollars. I do not think the hon. gentleman will try to contradict that statement; before attempting to do so, he had better get all the facts.

If I had been able to follow his remarks more fully I have no doubt I could contradict other statements he made, but I do not think his remarks reflect any credit upon him or upon those for whom he was speaking.

Mr. THORSON: All the arguments that have been advanced to-day were presented to the banking and commerce committee. We have had two attacks on this bill, the first on the ground that it is a socialist measure. That statement has been answered effectively by the Minister of Mines and Resources (Mr. Crerar), who points out that the only shareholders of this proposed company are the pool organizations of western Canada. These are set out in section 3 of the bill as the following:

> Manitoba Pool Elevators Limited; Saskatchewan Cooperative Wheat Producers Limited; Saskatchewan Pool Elevators Limited; Alberta Wheat Pool; Alberta Pool Elevators Limited.

The only others who may become shareholders are wholly owned subsidiaries of any of these companies, or any other cooperative company incorporated as such under the laws of the Dominion of Canada or under the law of any province of the dominion. So the only persons who can be shareholders of this company are cooperative organizations.

Now we have another attack on the bill on the ground that this proposed company is a combine. If that is so, then it is a most peculiar kind of combine. The purpose of most combines is to enhance the price of the products which the combines have to sell. The purpose of this organization is to enable cooperators to insure their own grain or to go into other forms of insurance, with the object of reducing the cost of insurance to those who become policyholders of the company. If that is a combine, then it is a beneficial one. Certainly it is not the sort of combine of which we are accustomed to think.

If it is the desire of persons in western Canada, or indeed in any other part of Canada, to cooperate for the purpose of improving their own conditions, as in this case for the purpose of reducing insurance rates, why should we in this parliament place any obstacles in their way? All the arguments put forward to-day were thoroughly discussed in the banking and commerce committee.

Mr. HANSON (York-Sunbury): If this company is in the underwriters' association, are not the rates exactly the same as those of the old line companies?

Mr. THORSON: Yes, they would be; but they have taken power under this bill to pay patronage dividends to policyholders, so that if any profits result from the operation of the insurance business, the benefit of such profits will go to the holders of insurance policies in the company, after adequate provision is made for those who have contributed the capital.

One other argument advanced by the hon. member for Queens-Lunenburg was that this company stands on the basis of wheat. It will stand on the premiums of insurance paid in, and will not necessarily depend upon the success or failure of the wheat industry. That was an error into which the hon. member fell. It was exploded in the banking and commerce committee, and I was surprised that he should advance this exploded theory again in committee of the whole. I for one am in favour of the measure as a cooperative measure, neither socialistic nor in the nature of a combine, but rather an effort on the part of farmers in western Canada who are members of these pool organizations to cooperate still further in the matter of insurance.

Section agreed to.

Section 2 agreed to.

On section 3—capital stock.

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): Section 3 was amended in committee by adding thereto subsection 2, as follows:

(2) With the exception of the qualifying shares of the directors as provided by section ten hereof, no shares shall be allotted or transferred to any person other than Manitoba Pool Elevators Limited, Saskatchewan Cooperative Wheat Producers Limited, Saskatchewan Pool Elevators Limited, Alberta Wheat Pool, Alberta Pool Elevators Limited, or a wholly owned subsidiary of any one or more of the aforesaid companies or any other cooperative company incorporated as such under the laws of the Dominion of Canada or under the law of any province of the Dominion of Canada.

Amendment agreed to.

Section as amended agreed to.

Sections 4 to 7 inclusive agreed to.

On section 8—Distribution of profits.

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): This section has been amended by adding after the word "company" in the third line the words "available for the payment of dividends and after allowing for a non-cumulative dividend to the shareholders of the company of not more than five per centum per annum on the amount paid on the shares held by them."

Mr. HANSON (York-Sunbury): That is an improvement.

Amendment agreed to.

The ACTING CHAIRMAN (Mr. Macdonald, Brantford City): Then there is the further amendment of adding the word "participating" before the word "policies", towards the end of the section.

Amendment agreed to.

Section as amended agreed to.

Section 9 agreed to.

On section 10—Qualifications of directors.

Mr. HANSON (York-Sunbury): In my judgment this section should not become law. Directors either are or are not directors. Either they have capital interest in the company, or they have not. This section relieves the directors entirely from any personal responsibility. That is not good policy, and it is worse law. I protest, although the committee may do as it likes. I cannot stop this sort of thing, but I suggest that the government should stop it.

Mr. KINLEY: And it invades the Insurance Act.

Mr. HANSON (York-Sunbury): It invades every principle of sound insurance law in Canada, and I call the Prime Minister's attention to it. This section should not become law, although I shall not detain the committee by discussing the matter further

Mr. THORSON: There might be a good deal in what the hon. leader of the opposition has said were it not for the fact that the bill was amended in committee by adding subsection 2 to section 3, which provided that the only persons who could be shareholders in the proposed company were the cooperative organizations I mentioned a moment ago, or wholly-owned subsidiaries of any of them, or any other cooperative company.

In other words, the only persons who can be shareholders in this pool company, other than directors through their qualifying shares, are companies. Now, if these companies are the only shareholders in another company, they must be represented in that other company of which they are shareholders, by persons, and it is quite proper that the persons who should represent the shareholder companies should be the directors of the shareholder companies. That is the reason for the provision contained in section 10 of the bill. The shares will be owned by the shareholder companies who must be represented on the board of directors of the proposed company by persons, since they cannot be on the board of directors themselves in their corporate capacity. I believe that is the justification for a section which might otherwise be objectionable.

Mr. HANSON (York-Sunbury): That is not a justification. That is just a palliation of a violation of a principle. If section 10 is wrong in principle and in law, then of course it should not pass; and section 3 should be changed to meet the situation. What was the good of passing paragraph (b) of subsection 2 of section 6 of the Canadian and British Insurance Companies Act, 1932, if it were not additional protection? This is a vexed problem. Insurance legislation has run the gamut of the law courts, and has been before the privy council two or three times. Now, by virtue of our jurisdiction, we are doing away with some of the safeguards with which under the general act parliament has surrounded this business. This is done at the behest of a group of strong cooperative organizations—strong in number. Supposing wheat fails and these pools go under, what will be the position? One of the gentlemen connected with the wheat pool told me he did not see any future for wheat in the Canadian west. He did not see anything for it in the immediate future, or perhaps for some years. If these pools fail to function and if there is no market for our wheat, what is going to become of them? What is going to become of companies operating under the pools? It is not beyond the realm of possibility that the pools might go into liquidation. What is the good of the reserves they have set up—to the extent of millions, someone has said—if those reserves are invested in country elevators?

Mr. THORSON: The insurance company will stand on its own feet, and will not depend necessarily on wheat.

Mr. KINLEY: How will you pay the premiums?

Mr. HANSON (York-Sunbury): My hon. friend's vision is not long. If the proprietary shareholders of this insurance company fail, what will be the effect on the company? If my hon. friend has had any experience in business, I need only ask the question to get the answer. He must know that, especially with a provision such as that contained in section 3, sooner or later this company will seek liquidation. The whole principle is wrong.

I might argue it further, but if parliament wishes to go ahead with this sort of thing, then let it go ahead. I have done my duty by calling attention to the situation.

Section agreed to.

On section 11—Notice of coming into force of this act.

Mr. HANSON (York-Sunbury): We might as well fold up, if we cannot follow proper principles.

Section agreed to.

Section 12 agreed to.

Preamble agreed to.

On the title:

Mr. McNIVEN: I move that the title be amended to read, "An act to incorporate Pool Insurance Company."

Amendment agreed to.

Title as amended agreed to.

Bill reported, read the third time and passed.

DOMINION ELECTIONS

QUESTION OF TAKING SOLDIER VOTE IN FORTHCOMING BY-ELECTIONS

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): On Friday evening last, the Prime Minister (Mr. Mackenzie King) announced that four by-elections would be held on Monday, August 19 next. These by-elections are being held under section 108 of the elections act, and because of the provisions of this section which refers to by-elections held within

six months of a general election, no new enumeration of the voters is required to be made, only a revision before the county judge in urban constituencies being necessary.

The particular point, however, to which I desire to direct the attention of the Prime Minister is with respect to the absence of any provisions, either in the act itself, or in the regulations, or in any order in council issued under the act, for taking the soldier vote, either in Canada or overseas, in any by-election. Unquestionably there must now be in the army a large number of enlisted men who come from the four constituencies in question. Some of these men must be overseas or located at different points throughout Canada. Is it not the intention of the government to give these men an opportunity to vote? To deprive these loyal soldiers of an opportunity to vote is to deny to these free-born citizens the highest right in the gift of the country—the right to exercise their franchise. Is this right to be denied to them?

Right Hon. W. L. MACKENZIE KING (Prime Minister): I am sure there has been no intention to deny anyone, least of all the men who are serving in our defence forces, the right to exercise his franchise. In the preparation of the elections act it probably was assumed that in connection with by-elections held in war time there would not be the same reason for having the lists in all particulars made up in the usual way. My hon. friend will realize that to take the soldier vote at any time during a war requires a great deal in the way of machinery and the outlay of considerable expense. This becomes an even more difficult and relatively more expensive business when a by-election is to be held. If my hon. friend is agreeable I should like the question to stand until to-morrow when a complete answer will be given by the Minister of National Defence for Air (Mr. Power). I feel sure my colleague will be in position to explain just how difficult it would be to have the soldier vote recorded in connection with by-elections.

I believe it would meet with the general approval of the citizens of Canada if we had during this period of war the same understanding with respect to by-elections as has been arrived at in the United Kingdom, and avoid contests in many constituencies. I believe the public would approve a truce to party strife so far as by-elections are concerned, if it could be arranged in a manner which would do no injustice to any existing party or political group in the country. Of course I understand that every constituency must have the full right to decide matters of this kind for itself, but I do believe that I am expressing a feeling which prevails generally throughout Canada when I say that one of the means of assisting Canada's war effort at the present time would be the avoidance of political contests in by-elections.

Mr. HANSON (York-Sunbury): I have no objection to the question standing, as the Prime Minister suggests, until the minister is present.

With regard to the other kite he has flown, let me tell him that to adopt that suggestion would simply mean that there would be no opportunity for public opinion to express itself with regard to the war activities of this government. With that suggestion I am not in accord.

OIL CONTROL

EFFECT OF RECENT DECISION UPON SUPPLY OF CRUDE OIL TO COOPERATIVE REFINERY LIMITED

On the orders of the day:

Mr. M. J. COLDWELL (Rosetown-Biggar): I should like to direct the attention of the Minister of Munitions and Supply (Mr. Howe) to a matter which is rather pressing in western Canada. Will he give the house an assurance, either to-day or to-morrow, that arrangements will be made to secure an adequate supply of crude oil to the Cooperative Refinery Limited of Regina, Saskatchewan, whose supply is threatened by a recent decision of the federal oil controller?

Hon. C. D. HOWE (Minister of Munitions and Supply): I am familiar with the general situation, but not with the position of the Cooperative Refinery Limited. For a long time, more particularly since the outbreak of the war, great pressure has been brought to bear on the government to find an adequate market for Alberta oil. I was assured personally by the highest authority of the Alberta government that we could definitely count at all times upon a production in the Turner valley of 35,000 barrels a day. With that in view arrangements were made to enlarge the area to be served from Turner valley. At the proper time, in order to meet that situation, the oil controller called upon the Alberta government for a production, not of 35,000 barrels a day but of 30,000 barrels a day. It was then discovered that the wells could produce only 27,500 barrels a day. The minister in charge in the provincial government simply told us that he was very sorry but he had been misinformed. The result has been that having built up the demand to the higher figure, it is not now possible to

supply all customers 100 per cent, and this situation affects those companies which have no oil storage. When the demand is greater than the production we cannot guarantee that every customer will receive his full requirements, especially if he has no storage capacity to tide himself over periods of maximum and minimum demands. I shall be glad to inquire of the oil controller just what is the position of the company referred to and what steps can be taken to meet their demands.

Mr. COLDWELL: The difficulty is that the other companies share only in the surplus, the two major companies being in control of the bulk of the oil. Perhaps the oil could be rationed so that these companies could get a percentage of their requirements.

Mr. HOWE: I shall be glad to inquire into that as well.

PRINTING OF PARLIAMENT

RECOMMENDATION IN FIRST REPORT THAT CERTAIN DOCUMENTS BE NOT PRINTED

On the orders of the day:

Mr. E. E. PERLEY (Qu'Appelle): On Friday evening the leader of the opposition (Mr. Hanson) directed the attention of the Prime Minister (Mr. Mackenzie King) to a report of the committee on the printing of parliament which had been presented the day before by the hon. member for Chambly-Rouville (Mr. Dupuis), and referred to the fact that the committee had recommended that many documents should not be printed. The Prime Minister said he would look into the matter and reply to the leader of the opposition. Can he do that to-day?

Right Hon. W. L. MACKENZIE KING (Prime Minister): I may say to my hon. friend that I have not had a chance since the other day to have a word with the leader of the opposition (Mr. Hanson) with respect to this particular matter. I did just mention it when I came into the house to-day, having in mind the promise that was made at that time. Members of the following of my hon. friend are members of the committee and no doubt have had before them, as other members of the committee had, the reasons why the committee made the recommendation it did, and if there is a feeling on the part of other members that some documents should be printed which the committee recommended should not be printed, I can see no reason why the committee might not reconsider the printing of certain documents in the light of further representations that might be made to them. I would be quite agreeable to asking the chairman to have the committee consider further any representations which the leader of the opposition may wish to make regarding the printing of documents that have not been printed, if that is agreeable.

CLOSING OF BURMA ROAD

QUESTION AS TO STOPPING SHIPMENT OF WAR MATERIALS TO JAPAN

On the orders of the day:

Mr. T. C. DOUGLAS (Weyburn): Mr. Speaker, may I direct a question to the Prime Minister (Mr. Mackenzie King)? In view of the fact that the closing of the Burma road for the next three months will shut off all supplies to the Chinese government headed by General Chiang Kai-Shek, will the government give consideration to stopping the shipment of all war material to Japan for the same period of time?

Right Hon. W. L. MACKENZIE KING (Prime Minister): My hon. friend was kind enough to give me notice of his question. I am sure he will appreciate, as other hon. members of the house must, that in answering any such question in the House of Commons of Canada I have to consider what effect the answer may have in the United Kingdom, what effect it may have in Japan and what effect it may have in China. At this particular time when the relations between the different countries are what they happen to be, I rather hesitate to make any formal reply to my hon. friend. I would be glad to have a word with him privately about the situation as I understand it. In the meantime I would answer him as follows:

The question is so phrased as to convey the implication that the Canadian government has taken steps to stop shipments to China. This is not the case.

As to the question itself, the hon. member is aware that it is not the practice in answering questions to make forecasts of future policy.

WHEAT

PROPOSED AMENDMENT OF CANADIAN WHEAT BOARD ACT

On the orders of the day:

Mr. E. E. PERLEY (Qu'Appelle): May I direct a question to the Minister of Trade and Commerce (Mr. MacKinnon), and I had one also to direct to the Minister of Agriculture (Mr. Gardiner) had he been in his seat. In view of the statement made by the Prime Minister (Mr. Mackenzie King) at the opening of the sitting, that we were to have amendments to the Wheat Board Act, would

the minister indicate now, since the house expects to prorogue within the next ten days or so and this is an important matter, whether the legislation will be brought down within the next day or two? There are some important suggestions to be made to the minister with regard to the legislation, and I think it should be brought down at the earliest possible moment.

Hon. J. A. MacKINNON (Minister of Trade and Commerce): I hope that the legislation will be ready within the next two or three days.

Mr. HANSON (York-Sunbury): What date? Can the minister say?

Mr. MacKINNON (Edmonton West): Within the next day or two.

MUNITIONS AND SUPPLY

LABOUR DISPUTES AT INVERNESS AND TRENTON, NOVA SCOTIA

On the orders of the day:

Mr. CLARENCE GILLIS (Cape Breton South): Mr. Speaker, may I direct a question to the Minister of Munitions and Supply (Mr. Howe) relative to two telegrams I have received, copies of which I have sent to the minister, pointing out the serious situation that exists in the town of Inverness and in Trenton, Nova Scotia. Is the department acquainted with the situation as pointed out in these telegrams and is any action contemplated by the department?

Hon. C. D. HOWE (Minister of Munitions and Supply): Mr. Speaker, the situation in Trenton is that the car works there have been engaged in the production of a considerable order for the Department of Munitions and Supply. Completion was delayed by labour troubles, as my hon. friend is aware, but I understand that the order is coming to an end, if indeed it has not come to an end. A proposal from the company in question is being received within the next day or two, I understand, in relation to a considerable munitions order, and if the proposal is in order, possibly that situation will be taken care of in the very near future.

So far as the Port Hood collieries are concerned, they are collieries that have been opened and closed four or five times. The coal is very low grade and the collieries themselves are at a distance from consuming markets. The government does not intend to take any steps to open these collieries, and in the interests of the industry itself it would, I believe, be unfortunate if anyone else took such a step. I should think the coal mining industry of Nova Scotia can be better employed in localities which have higher grade and more accessible coal.

Mr. HANSON (York-Sunbury): Is that the company which is owned by the government of Nova Scotia? It is either the Port Hood or the Inverness company.

Mr. HOWE: I am sure it is the Inverness company.

Mr. BLACK (Cumberland): Inverness is government-owned.

Mr. HANSON (York-Sunbury): Then I suggest that the government of Nova Scotia should assume the responsibility.

EXCISE ACT, 1934, AMENDMENT

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 100, to amend the Excise Act, 1934.

Motion agreed to, bill read the second time, considered in committee, reported, read the third time and passed.

DAIRYING INDUSTRY

GRANTS FOR INSULATING, ENLARGING, REFRIGERATING AND EQUIPMENT OF CHEESE FACTORIES

Hon. T. A. CRERAR (Minister of Mines and Resources—for Mr. Gardiner) moved the third reading of Bill No. 89, to amend the Cheese and Cheese Factory Improvement Act.

Mr. STIRLING: That was not the understanding we had. There is a misunderstanding, is there not? The minister suggested to me that after what had passed between him and the leader of the opposition he would go on with the Farmers' Creditors Arrangement Act.

Mr. CRERAR: That is true. But is there any objection to the third reading of this bill?

Mr. STIRLING: I personally have not, but—

Mr. CRERAR: That was mentioned on Friday. If my hon. friend has any objection we shall let it stand.

Mr. STIRLING: I myself have not any objection, but I have not had any conversation with respect to this bill.

Mr. CRERAR: Well, let it stand.

Motion stands.

FARMERS' CREDITORS

AMENDMENT OF ARRANGEMENT ACT AS TO PROPOSALS FOR COMPOSITION, ETC., IN MANITOBA—NON-CONCURRENCE IN SENATE AMENDMENT

Hon. J. L. ILSLEY (Minister of Finance) moved:

That a message be sent to the senate to acquaint their honours that this house disagrees with their amendment to Bill No. 25, an act to amend the Farmers' Creditors Arrangement Act, 1934, for the following reasons:

(1) Because the findings of a board of review are based mainly on questions of fact determined after consideration of the farmer's circumstances and the present and prospective capability of the farmer to perform the obligations prescribed by the board, and the productive value of the farm.

(2) Because the boards of review in the provinces of Alberta, Saskatchewan and Manitoba as now constituted, comprising a judge of the supreme court of the province, as chief commissioner, a commissioner representing the debtor, and a commissioner representing the creditor, are considered to be in a better position, after listening to all evidence, to render a final decision than an appeal court with nothing but the record of a case before them.

(3) Because the courts now have jurisdiction to hear appeals in cases where errors of law are alleged to have been made by a board of review.

(4) Because it is inadvisable at this late stage of the operation of this act to provide for appeals from proposals which may have been or may be confirmed by boards of review.

(5) Because the provision for appeals would increase the costs of the administration of the act and delay the final disposition of a farmer's application.

He said: Mr. Speaker, with regard to this bill I want to explain the position to the house. This bill went to another place and was amended there, and the amendment is a somewhat important one. It proposes that all decisions of the boards of review should be appealable, and provision is made for a court of appeal. I am not just sure whether it is confined to the provinces of Saskatchewan, Alberta and Manitoba, but substantially that is the proposal. I regret to say that the government is not prepared to accept the amendment that has been proposed to this bill, and I do not know that I could state the reasons for the governments inability to accept it better than by reading the written reasons which the rules require the minister having charge of the bill to give to the house in the event of non-acceptance.

So far as I can learn, those who are best acquainted with the administration of the Farmers' Creditors Arrangement Act—and by that I mean the chief commissioners in the various provinces and those associated with them—are of opinion that it would not be advisable to provide for appeals, substantially for the reasons that I have just mentioned. That is the position the government will have to take in regard to this amendment proposed by the senate.

Mr. STIRLING: There will therefore now be a meeting?

Mr. ILSLEY: Unless the senate agrees to our position.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

Mr. T. C. DOUGLAS (Weyburn): I wish to say a few words about this amendment, and to make a suggestion to the minister. The kernel of the amendment suggested is found in what would be subsection 2 of section 12A:

> The farmer or any creditor may appeal to the appeal court from a proposal which has been confirmed by the board and the appeal court may pronounce such judgment or make such order or formulate such proposal as in its opinion the board ought to have pronounced, made or formulated, and the decision of the appeal court shall be final and conclusive.

I am in hearty accord with the minister in rejecting this amendment. In the first place the board of review was set up under the original act to be itself a court of appeal. That is, when a farmer comes to the official receiver and asks to come under the benefit of this act, the creditors come—I have sat in at a number of these conferences—and a good many cases are settled then and there. It is only when the parties have been unable to arrive at a satisfactory proposal that the matter is taken to the board of review. So the board of review is itself a court of appeal, and therefore it seems folly to carry the matter a step further.

But what I am most afraid of is that this amendment would give to the creditors a club to hold over the head of the farmer. For instance, the amendment says "any creditor." It may be the least of his creditors. Furthermore, it does not specify whether, after one creditor has made an appeal and the matter been settled, another creditor might not decide to appeal. The average farmer is not keen about going to law; he has a natural reluctance to engage in any type of litigation. It would be very easy, when making a proposal, to hold over the farmer's head a threat that if the board of review did not give a decision satisfactory to a certain creditor that creditor would appeal from the board of review to the court of appeal.

Another objection is that this amendment would destroy the whole purpose of the act. The purpose of the act as passed in 1934 was specific: to keep the farmer on the land as an efficient producer. The act was put on the statute books not as a means of collecting money for the creditors, but to help the farmer. It was put there to enable the farmer to go through to some extent a form of bankruptcy, to enable him to stay on the land and meet such obligations as the productivity of his land warranted. Now, if those who are stressing this amendment were willing to take out the words "or any creditor," and leave to the farmer the right to go to the court of appeal, it would not destroy the purpose of the act, because once a proposal has been formulated and the farmer settles down to meet this new proposal he is either keeping the terms or he is not. If he is, there can be no point in appealing the case. If he is not keeping the terms there are other steps that can be taken. We ought to recognize that the reasons which caused a former government to bring down this kind of legislation in 1934 are still present, only in a more acute form. Since this act applies now only in the prairie provinces, all the factors that made it necessary for the farmers in those provinces to get some relief from the burden of debt are still there in a more intensified form. If there is going to be any revision of these cases, the revision will have to be downward and not upward, because the farmer's capacity to pay is less now than it was then. And the only people who will be asking for downward revision will be the farmers.

The only amendment I would be prepared to support allowing an appeal to an appeal court would be if the farmer and the farmer alone were to be given that right.

My main reason in rising was not to speak on the amendment so much as to ask the minister to give consideration to a suggestion which comes within the principle of the amendment. I refer now to a decision just handed down in Saskatchewan. I quote it as given in *The Saskatchewan Farmer* of June 15—I believe it appeared in several other papers. It is of great interest and may be of dire significance to the hundreds of farmers who have come under this legislation in the past five years. The heading is:

Court decision limits board on farm debts.

And the article goes on to say:

A decision handed down by the Saskatchewan court of appeal affects every farmer who has had his debts adjudicated by the board of review acting under the terms of the Farmers' Creditors Arrangement Act.

[Mr. T. C. Douglas.]

In this judgment the court of appeal holds that the sheriffs under the jurisdiction of the Farmers' Creditors Arrangement Act have no power to decide what is or is not a crop failure; that the board of review having once fixed the conditions of the adjusted debt is powerless to alter the terms of the conditions by granting further extensions of time.

The case involved a farmer, an insurance company, an implement concern and some others. The farmer's mortgage had been written down by the board of review in June, 1937. Last year the farmer defaulted under the terms of the mortgage and foreclosure proceedings were instituted.

The farmer sought to have the "crop failure" clause applied under which the sheriff may declare a crop failure, which would have the effect of postponing automatically all payments for one year and put the interest payment over to the time when the final instalment came due.

When the farmer pleaded protection under the crop failure clause the district court judge dismissed the farmer's claim, holding that the Farmers' Creditors Arrangement Act board had no power to arrange for any such procedure as outlined in the crop failure clause.

In kings bench court the judge decided that the board of review did have such power and the farmer was right in his contention. In the court of appeal—the highest in the province—it was found that the district court judge was right in his finding that the farmer could not claim protection under the crop failure clause because the board of review had no right to make the clause any part of its proposals between the parties.

The court of appeal was of opinion that if parliament had decided to allow the board of review to provide for extensions of time for payment of debt upon which it adjudicated, the legislation would have made this plain in "unmistakable terms".

That is, I take it, a reference to subsection 3 of section 2 of the act which reads:

(3) In any case where the affairs of a farmer have been arranged by a proposal approved by the court or confirmed by the board as hereinafter provided, part one of the Bankruptcy Act shall notwithstanding section 7 thereof thereafter apply to such farmer but only failure on the part of such farmer to carry out any of the terms of the proposal shall be deemed to be an act of bankruptcy. Provided that such failure shall not be deemed an act of bankruptcy if, in the opinion of the court, such act was due to causes beyond the control of such farmer.

I do not need to elaborate the point to the minister, who is a noted member of the bar. If this decision handed down by the court of appeal of Saskatchewan is to be a precedent we may have a serious situation in Saskatchewan and Alberta this fall. Crop reports are that the crop is spotty. In a large part of my own constituency the crop is already less than fair. A good many of these farmers are not going to be able to meet the terms of the proposals that were formulated under the board of review. If the power to declare that the failure to meet the terms

is due to causes beyond the farmer's control is taken away and foreclosure proceedings are to be permitted, then we shall be faced this fall with an extraordinary situation.

I rose merely for the purpose of asking that when this matter is discussed with the other chamber and consideration is given an amendment which may be brought in before parliament prorogues, consideration might also be given to the possibility of providing what the appeal court said in "unmistakable terms" should be provided, namely, the right to declare that in a particular case the failure to meet the terms of the proposal was due to causes beyond the farmer's control. If that were done it would obviate the serious situation that is likely to arise. I cannot help feeling, after having seen these proposals made for the last few years, that the fact that this act is in existence and that there is a debt adjustment act in Saskatchewan has only postponed the reckoning which some day we shall have to face in connection with this debt question. We have these debts piling up, in some instances without even the interest being met. As a result, many of the debts are now as high as they were before the first readjustment. So all we have done has been to postpone the day of reckoning. Sooner or later we shall have to face this debt situation frankly and honestly for both the creditor and the debtor, and write down these debts to the point where prices and the productivity of the western farms will enable these obligations to be met. Perhaps it is too late this session to deal with the whole debt question, but I hope in the near future the government will give consideration to the question of reviewing all these cases with the view of helping these hard pressed people who continue to be burdened with a load of debt which they cannot possibly hope to meet under present economic conditions.

Mr. PAUL MARTIN (Essex East): As a member from eastern Canada I suppose I have not altogether the same right to speak on this bill as may attach to the hon. member who has just spoken, but I propose to make a few observations.

In the first place I rise not to oppose the bill, but to support the amendment. Undoubtedly this matter was conceived at a time when there was an extremely important occasion for its enactment; and that applied to eastern as well as western Canada. But I believe that we should not be slow to recognize the gradual withdrawal of some of the fundamentals of our system of government. We make great profession of our desire to preserve democracy and those institutions that will safeguard democracy, but we should not lightly let slip some of the fundamentals involved in the preservation of this very thing. We are governed on the basis that the various units of government shall operate with a measure of autonomy, these units being the legislature, the executive and the judiciary. We do not allow the legislature to deal with judicial matters so far as their interpretation is concerned, nor do we allow the judiciary to make laws. On the other hand, have we not gone too far already in allowing all sorts of bodies to usurp true judicial functions? The stock arguments of Lord Hewart, Mr. Beck and others are well known to hon. members. No parliamentarian, regardless of his experience, is unaware of the great dangers that may exist in the tremendous power which lies in the hands of so many boards in this country. One could refer to certain departments of government where departmental officials make all sorts of decisions affecting property and even affecting freedom without going through the judicial process at all.

I do not rise to oppose in any way the interests of creditors or debtors. The hon. gentleman has said there have been instances in which the decisions of the board were not in favour of the debtors, and he would allow such debtors the opportunity of going to a higher body which would deal with such adverse decisions. Then surely the same principle should apply in reverse as well. A number of the creditors are not companies; certainly this was true in eastern Canada. The hon. member for Weyburn (Mr. Douglas), together with other hon. members, must be aware of many instances of harassed, hard pressed farmers who appeared before the boards as creditors.

Mr. DOUGLAS (Weyburn): Very few in western Canada, where the act now applies.

Mr. MARTIN: I accept my hon. friend's statement, but my purpose in rising is chiefly to complain about a further endowment of power on administrative tribunals, giving them authority to deal with property in a way that was not dreamed of by many of those who fought and died to frame the bulwarks of our constitution. Look at the words of Hallam, with which I am sure no hon. member would quarrel. He said:

> Civil liberty in this kingdom has two direct guarantees: the open administration of justice according to known laws truly interpreted and fair construction of evidence, and the right of parliament, without let or interruption, to inquire into and obtain redress of public grievances. Of these, the first is by far the most indispensable; nor can the subjects of any state be reckoned to enjoy a real freedom where this condition is not found both in its judicial institutions and in their constant exercise.

No hon. gentleman brought up under that sort of doctrine would quarrel with a statement of that kind. When our neighbours to the south speak of due process of law and we speak of the rule of law, even though particular circumstances might serve as a provocation we should not lightly permit a gradual diminution that will ultimately and fundamentally affect our whole system of government. And when I say "system of government", it must be remembered that the judicial function is every bit as important as is the work done in this house or the work done by the executive.

The hon. gentleman who preceded me placed one difficulty in the way of what I have mentioned; that is the matter of costs. Of course the costs in connection with litigation in this country are scandalous. We have not developed a legal technique consistent with our sociological and social needs. Certainly I would be prepared to see machinery devised whereby an unsuccessful creditor or debtor, having appeared before the board, would be allowed to go to a judicial tribunal by way of appeal without being worried about costs. That is a matter of detail which could be arranged quite easily.

My main reason for rising, as I have said, is to complain about the tremendous powers that are being extended to various administrative tribunals, which regulate and dispose of property and civil rights in very important measure without allowing resort to a purely judicial tribunal to determine the wisdom of the course taken. One could recite instances of these various boards being at odds with one another; and if they are at variance justice cannot have been meted out in both instances. A court of appeal, with judicial functions, serving as a reviewing body in regard to what has been done by the board, at least would provide some unanimity in decisions which would affect the whole problem from top to bottom.

In view of what the minister has said I have no hope that my words shall have any effect. But I could not sit in my place to-night and witness the refusal of this amendment without expressing myself as I have done.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, before the motion carries I should like to make a few brief observations, and in passing may I refer to what was said by the hon. member for Essex East (Mr. Martin). If I heard the hon. member correctly, he said, "We do not allow the judges to make the laws." May I suggest to him that in our law books there is more judge-made law than any other kind. If the hon. member does not believe me, let him read a portion of a book written by the present chief justice of the United States with reference to the interpretation of the constitution of that country.

Mr. MARTIN: I quite agree.

Mr. HANSON (York-Sunbury): He said, in effect, that the constitution of the United States is what the judges say it is. I believe that never was the intention of the founding fathers, and his statement has caused a great deal of discussion.

I regret I felt impelled to leave the chamber before six o'clock, and for that reason I had no idea that this matter was to be discussed. I do not say there was any arrangement that it should not be discussed, but when ten minutes before six o'clock we reached the excise bill I spoke to the Minister of Finance (Mr. Ilsley) across the floor of the house and suggested to him that that would fill in the time. To that he rather agreed. However, there was no arrangement made, and therefore there has been no violation of any arrangement.

I understand the government has stated it cannot accept the amendment from the senate, and that the minister has given four reasons.

Mr. ILSLEY: Five reasons.

Mr. HANSON (York-Sunbury): I have not been able to find out what they are, and I am not going to ask the minister to repeat them. But without having read the discussion in the other house in favour of the amendment I am at a loss to understand why the government cannot accept it. That amendment provides for an appeal by either the farmer or the creditor, and without expense to the farmer.

In subsection 5 it is stated that an official receiver may act on behalf of the farmer on any appeal or on a stated case. And in subsection 6 it is pointed out that no costs shall be imposed upon or charged against the farmer on any appeal or stated case.

In that connection the hon. member for Weyburn (Mr. Douglas) said that he would be in favour of the amendment only if there were an appeal on the part of the farmer. I suggest to him that an appeal which is not mutual is not an appeal at all. That would be class legislation, pure and simple.

Mr. DOUGLAS (Weyburn): The act itself is class legislation.

Mr. HANSON (York-Sunbury): The act may be class legislation. I had something to do with its enactment. I know it was intended only as a temporary measure, and

it was never dreamed that it would have continued in force as long as this. However, circumstances have arisen in the western provinces, and I accept the statements of hon. members from the west that it is necessary to keep the act in force for a longer period of time. I am willing that this should happen.

But if a certain element of the population of western Canada, be they creditor or be they debtor, feel aggrieved at the course of the decisions which have been rendered in that part of the country, there ought to be a right of appeal. That must be the reason why the senate inserted this amendment. We all know there have been half a dozen different decisions on similar sets of facts, and if we want to have any uniformity of administration in connection with this law we shall have to have it by way of appeal which would set up a real precedent for other courts to follow. I cannot see anything wrong with the principle of appeal here. The creditor takes an appeal at his own risk or his own expense, and the farmer does so at no risk, and no expense. Surely that is as easy as it could be. The appeal would give him that much more time and, in any event, could not hurt him. He would have a longer time in which to make a turn-over, or to turn another corner, so as to get back to where he would like to be. In principle I do not see any reason why the amendment should not be accepted.

If I dared to take the time of the house I would invite the minister to state his reasons. I know this legislation is sought by Manitoba. I had hoped they would be able to get rid of the legislation, because I know it is doing one thing for the farmer, namely ruining his credit. The farmer will never have any credit as long as this legislation is on the statute books. Whether he can see it or not, for his own interests this legislation should expire in all the provinces. It has outrun its lifetime; and has outrun its course and it should not be perpetuated. However, if the government has already come to a conclusion in the matter, it would be hopeless to ask them to reconsider.

Motion agreed to.

CUSTOMS TARIFF

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 101, to amend the Customs Tariff.

Motion agreed to, bill read the second time, considered in committee, reported, read the third time and passed.

INCOME WAR TAX ACT

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 102, to amend the Income War Tax Act.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, I should like to ask the Minister of Finance (Mr. Ilsley) if he has any reply to make to the request of some municipal treasurers all over the country that the five per cent tax upon Canadian residents in connection with three-market bonds, adopted in committee here on July 9, be not imposed? The finance commissioner of Toronto has taken this matter up with the government and strongly objects to it. I do not want to delay the second reading of this bill, but I believe this tax imposes a great injustice upon the municipalities of this country which have done so much for this parliament. We have taken away many of their revenues and given little but taxes of all kinds in return. An additional taxation of from three to four million dollars was imposed upon one of the great utilities in the province of Ontario, the provincial hydro, in 1917, in excise duties on equipment bought for generators and other plant to build the Chippawa plant to give power to munition plants in the last war. According to Mr. Carnegie's book, during the last war Ontario at one stage produced fifty per cent of the shells used by Britain owing to the adequate supply of power to these great plants. yet Ottawa taxed the hydro.

The resolution preceding this amendment was agreed to on July 9. Over twenty years ago the city of Toronto issued three-market bonds which were payable at the option of the holder in New York, London or Toronto. The final interpretation of paragraph six of the resolution apparently annuls the right of the holders of such three-market bonds to present their bonds or coupons for payment in New York, London or Toronto as they may elect. Instead, Canadian holders are forced in future to cash their coupons, and probably their bonds when they mature, at their local banks and obtain United States exchange therefor. They are then charged five per cent upon the amount of the coupons plus the premium received upon the New York exchange. This amendment to the Income War Tax Act cancels the city of Toronto's three-market privileges granted upon its bonds and coupons issued twenty or twenty-five years ago, and also necessitates purchase by the city of United States exchange which, under present foreign exchange control board regulations, costs 11 per cent. The foreign exchange control board makes a profit of seven-eighths of one per cent on these transactions, inasmuch as its buying rate for United

States exchange is 10 per cent, plus one-eighth of one per cent commission allowed chartered banks for supervising exchange transactions.

Since the outbreak of war a large number of Canadian holders of city of Toronto three-market coupons have, as a patriotic gesture, accepted payment thereof in Canadian funds. If the amendment to the Income War Tax Act is enacted, these patriotic gestures are eliminated at additional cost to the city. This amendment to the Income War Tax Act is a most unjust and costly imposition upon all Canadian municipalities which have three-market bonds and coupons outstanding. The government have made this retroactive; it will go back twenty-five years and open up this financial situation. This tax imposes an injustice upon the municipalities of this country. I doubt, if a case were submitted to the Supreme Court of Canada under the Supreme Court Act, it would be held that this parliament has the right to pass this amendment, because contracts for bonds are twenty years old and cannot be changed. The privy council gave a decision in what was known as the Alberta waterway case, referred to in the book published by the deputy minister of justice reviewing cases heard by that tribunal since confederation. The municipalities take care of relief and hospitalization; many other purely federal burdens have been shifted off on them, and this additional cost of exchange will have to be paid by them and levied on real estate. This is an infringement of property and civil rights of the provinces, vested rights and the law of contracts, and I doubt whether this parliament has the power to enact this legislation. I think it is a miscarriage of justice, and in addition it interferes with vested rights. Apart from British Honduras, no country in the world has done it.

Hon. J. L. ILSLEY (Minister of Finance): Mr. Speaker, perhaps I should say a word on the second reading before you leave the chair. I think it would be more appropriate if I dealt with any observations, such as the hon. gentleman has just made, in committee and I shall be prepared to do so when the proper section is reached. There were two or three matters which hon. members had asked me to consider before the bill went into committee, and I should like to make a brief statement in regard to those when the proper sections are reached.

Mr. CHURCH: Soak the municipalities is the minister's policy.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Vien in the chair.

[Mr. Church.]

On section 1—Rates applicable to all individuals.

Mr. HANSON (York-Sunbury): I should like to get some information from the minister with respect to the application of this tax to judges' salaries. As I understand it, when this bill becomes law all judges will be subject to income tax, as well as to the two per cent national defence tax which is really part of our income tax law. As I recollect—I have not looked it up in recent years—the Judges Act originally contained a provision that the judges of Canada would be free from taxation. When the income tax was first enacted the question soon arose as to whether the general income tax law overrode the particular judicial exemption granted by the Judges Act. That is, the question was whether a general statute overrode a special statute. There was substantial doubt about the matter and to remove that doubt the Judges Act was twice amended, once in 1919 and again in 1920. For technical reasons the amendment of 1919 was thought to be inadequate to silence the question of income tax liability. The amendment of 1920 stated quite plainly that any judge who accepted the increase provided by the Judges Act of that year waived all rights to exemption from future taxation under the then existing or any future taxation law. That pretty well settled the question. I understand that all but three judges accepted the increase and automatically came under the law.

A question has arisen with respect to judges who live in communities or municipalities which have local income taxes in addition to the federal tax. In the city of Saint John there is quite a severe municipal income tax, and the same applies to other places I could mention. The same question arises somewhat in relation to the national defence tax. If they have to pay on the full amount, the effect will be that they will have to pay the municipal income tax on the full amount of their salaries. In other words, they will have to pay a tax upon a tax. I do not want to labour the point; I think the mere statement of the principle will indicate to the minister what I have in mind. It is always an objectionable principle that one should be taxed upon a tax. I realize that this matter is outside the purview of the national legislature, but this condition exists and I was wondering if the department had given it any consideration. The fact is that there will be double taxation.

Mr. ILSLEY: I have not given any special consideration to the case mentioned by the hon. member, that is, where there is a

municipal as well as a federal tax. But I am sure that if I were to give consideration to it I could not recommend any change in the provision that judges are to be subject to the Income War Tax Act. In one way it may be a tax upon a tax, but it would be at least as accurate to say that there are two taxes on the same income. I think that is a more accurate way to put it.

Mr. HANSON (York-Sunbury): There are two taxes; that is accepted. But in the one case there is a tax upon a tax. The minister says that he could not make any change. What he means is that he would not. There is quite a distinction.

The new income tax rates and the national defence tax of 2 per cent, or 3 per cent as the case may be, bring the salaries of judges under the income tax law which is imposed on all salaries. This is the view which the department takes, and I know because I have had the point up with them. They say that the general new rates are equally applicable to all salaries over the stated amounts. And this is their explanation: Judges residing in lesser taxation jurisdictions in Canada than the dominion would like their income reduced by a salary deduction rather than by taxation because the reduced salary would save local burdens which dominion direct taxation does not. A salary deduction was made on judges' salaries, I think in 1931. At that time a salary deduction rather than a salary tax was imposed. A $10,000 salary of, say the chief justice of one of the provinces taxed at 2 per cent leaves $9,800 as income to put in the pocket, but the local jurisdiction taxes $10,000 of salary. Contrariwise a salary reduction from $10,000 to $9,800 would mean relief from local taxation to the extent of $200. A tax of 3 per cent leaves $9,700 as income to put in the pocket, but the local jurisdiction will still tax him on the full $10,000. But a salary reduction from $10,000 to $9,700 would mean relief from local taxation to the extent of $300.

There is something in this contention which has been brought to my attention, but of course if the minister does not want to make any change in the provision I shall say nothing more. I have done my duty in bringing the matter to his attention. But I suggest that the fairer way would have been to follow the course adopted in 1931 when the salary deduction was put through. That is the correct principle upon which this should be handled; then they would escape a tax upon a tax.

Mr. McGEER: Is that not equally applicable to everybody with a salary?

Mr. HANSON (York-Sunbury): I am only instancing the judges.

Mr. ILSLEY: My recollection is that when civil servants were subject to a 10 per cent deduction from their salaries, judges and those in the armed forces were excepted, and there was a debate in the house on that exception or exemption. The Prime Minister and the government of the day finally decided to impose a tax of 10 per cent on the salaries of judges and those in the armed forces, instead of making a salary deduction. If I am correct about that, the hon. gentleman's recollection is faulty.

Mr. HANSON (York-Sunbury): I have not looked it up, I am bound to say.

Mr. ILSLEY: It is possible that my own recollection is faulty, but I think not. I agree that salaries of judges should not lightly be tampered with, and I was impressed with the argument that was made by the previous Prime Minister, Mr. Bennett, in that regard. But I have not the same feeling towards making the members of the judiciary immune from the same burden of taxation that is placed upon the shoulders of other people in the country.

Mr. HANSON (York-Sunbury): Do not misunderstand me. They are not asking for immunity. What they are asking is that they shall not be taxed upon a tax—taxed upon money they have not received. I can see that there is an iniquity there, if I may use that word.

Mr. ILSLEY: We are treating the judges under this measure exactly as we are treating every other person in receipt of income, particularly those in receipt of a salary. I do not think that at this time or indeed at any time the government would be justified in treating the judges exceptionally in regard to income tax.

Mr. HANSON (York-Sunbury): I have nothing more to say.

Mr. LEADER: Mr. Chairman, I want to say that I heartily agree with the minister in the last statement which he has just made. Listening to the leader of the opposition (Mr. Hanson) as he endeavours to make out a case of special privilege for the judges of this country—at least that is the way I take it—

Mr. HANSON (York-Sunbury): The hon. member took it wrong. I do not think he knew for a moment what I was talking about.

Some hon. MEMBERS: Order.

Mr. LEADER: I ask the hon. member to retract that statement. His language is unparliamentary and I resent it. I did know what he was talking about, and furthermore I remember being in this house fifteen years

ago when the hon. member and others of his like were advocating higher salaries for the judges of this country. Now perhaps I do know what I am talking about. If we are going to have justice and equity dealt out to the people of this country irrespective of their station in life, the judges should be the last, and I believe they are the last, to ask to be excepted from the common burdens that fall upon the rest of the people.

I wanted to ask the minister in regard to the salaries of the lieutenant-governors of each of the provinces and the salary of the governor general, and I know what I am talking about here also. Will their salaries be exempt from this tax? If so, I should like to know why. Or will this tax apply to the salaries of the lieutenant-governors and of the governor general as well?

Mr. ILSLEY: The income of the governor general is exempt, of course, but the salaries of the lieutenant-governors are subject to the provisions of the act and are taxable.

Mr. LEADER: I wanted to point out that during the time when the salaries of the lieutenant-governors and judges were taxed in 1931, the governor general who was the incumbent in office at that time voluntarily took his 10 per cent reduction in salary.

Mr. FRASER (Peterborough West): I want to ask the minister a question on a matter that was discussed on the resolutions. Is a discount going to be allowed if income tax payments are made in advance? We are charged interest if we do not pay on the dot, and I think the government ought to offer a discount in order to get the money in. Undoubtedly many people will have to pay the tax in advance if they are going to pay it at all.

Mr. ILSLEY: No provision is made for a discount if the income tax is paid in advance. I agree with the hon. gentleman that it is important that prepayment of income tax be encouraged, and I am very anxious myself that some measure of encouraging prepayment of income tax, especially by those with heavy incomes, be worked out, but whether a discount will be the means of encouraging prepayment I do not know; I rather think not. At any rate no provision is made in the statute for discounts.

Mr. FRASER (Peterborough West): I was referring not only to the large taxpayers but also to those in the $6,000 or $7,000 class, whose income tax is jumped from two to three or four or five times what it was last year. They will have to budget and set aside a certain proportion of the tax each month. I know the minister agrees with me; in fact, he said that there should be some encouragement given to people to prepay income tax. If the minister and the department would work out some way of making it easy for people to pay the tax in advance, the government would then get the money, and in the long run would be ahead because they would not have to bother about going after the money. I would ask the minister if this could not be provided for in the bill. I am not trying to favour the large income tax payer; it is the small one I have in mind. As recently as this past week-end I have heard from young couples who are living on salaries of three or four thousand dollars, some of them on less. They say they have to budget, and it is hard enough to budget as conditions are, without this extra tax which is put on them.

The CHAIRMAN: Shall section one carry?

Mr. FRASER (Peterborough West): No; I want to ask another question. This was brought up when we discussed the resolutions before. Will the allowances of these dollar-a-year-men be taxed?

Mr. ILSLEY: This is a matter about which an hon. member asked me a question when the resolutions were before the house and I said I wanted to take some pains with the answer. I have it here. The answer is that living allowances are regarded as income and subject to taxation, that is in so far as they are for or go to personal and living expenses. There may be some part of the living allowance over and above personal living expenses which is a legitimate expense pertaining to the work that the employee of the crown is doing. If an itemized account is rendered of such expenses they can be deducted from the living allowance; but the part of the living allowance—which would necessarily be the greater part, in many instances all of the living allowance—which covers personal and living expenses is, by the terms of the act, income and subject to taxation.

Mr. FRASER (Peterborough West): If that is allowed to the dollar-a-year men, will it be applicable also to members of parliament, because they can render their hotel bills and their rent bills while they are in attendance here.

Mr. ILSLEY: There is a special provision of the act which makes indemnities of members of parliament subject to income tax.

Mr. HANSON (York-Sunbury): Indemnities are not incomes in the true sense of the word, and therefore they have to be dealt with separately.

Mr. ILSLEY: Yes, and they are.

Mr. HANSON (York-Sunbury): And always have been. Members of parliament, I suppose, would be afraid to deal with them otherwise for fear of criticism.

The ruling which the minister has made seems to me to be unfair, to be setting a rather bad precedent. Many of these men maintain their homes and families in their own home town. They come here and give their services; yet, if I understand the situation correctly, their expenses, which are paid by the government, or such portion of them as they cannot show are for the purposes which the minister indicated, are to be taxed to them as income.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): Well, it seems to me that this is carrying the thing to the limit for fear of incurring criticism. I think that is the wrong principle.

Mr. ILSLEY: It is purely a legal interpretation.

Mr. HANSON (York-Sunbury): As the act stands. Well, then, I suggest to the minister and his officers that they should give some consideration to changing the act, because it is not fair.

The CHAIRMAN: Shall section 1 carry? I would point out to hon. members of the committee that what we have been discussing does not really fall under section 1 of the bill.

Mr. HANSON (York-Sunbury): Then where would it come?

The CHAIRMAN: It would come under section 26 of the bill, adding section 91 to the act, which section begins on page 9, and subsection 16, on page 12, which defines an employee as a person who receives any compensation, emolument, remuneration, indemnity or the like. I would think that section 1 is only with respect to the quantum of the tax, and not to the other particulars which we have been discussing.

Mr. HANSON (York-Sunbury): Perhaps you are right, Mr. Chairman. I was going to ask the minister a question about the income tax on officers' pay. What is the position now? As I understand it, provision is made to exempt members of the Canadian military, naval and air forces from the national defence tax, and under section 9 provision is made for:

(t) the service pay and allowances of—

(i) warrant officers, non-commissioned officers and men of the Canadian naval, military and air forces while in the active service forces, and

(ii) commissioned officers of the said forces while on active service beyond Canada, or on active service in Canada, whose duties are of such character as are required normally to be performed afloat or in aircraft.

We are building up a national defence force here in Canada, and there are many officers whose services will neither be afloat nor in the air; why are they not entitled to the same class of treatment as officers of the navy and the air force? It seems to me that there is a discrimination there.

Mr. ILSLEY: It was difficult to know where to draw a certain line. When the national defence tax was being framed it was considered that it should not apply to those in the forces who were overseas in a theatre of actual war, or perhaps I should say, overseas. Then the question arose as to what the principle was which gave rise to that exception, and apparently it was considered that the principle was risk, danger, that men who were in danger of losing their lives, or men in formations where there was risk of considerable loss of life, should not be subjected to the rigorous provisions of the national defence tax sections. Then the next question which arose was this: are not men in the navy, men on the seas, within that principle? It was thought that they were. The next question was, are not men who are flying, whether on this side of the ocean or on the other, within the same principle? It was decided that they were, and it was thought that the proper place to draw the line was between the men who are flying and those on the sea, and the men who are on the land in Canada.

Mr. HANSON (York-Sunbury): What about an invasion of the country?

Mr. ILSLEY: That is not envisaged by this measure.

Mr. HANSON (York-Sunbury): Well, you do not make allowance for it.

Section agreed to.

Sections 2 to 7 inclusive agreed to.

On section 8—annuities.

Mr. ABBOTT: This section appears to go a little farther than the resolutions would indicate. The section which it replaces, namely, paragraph (b) of section 3 of the act, in the definition of income, reads:

The income from but not the proceeds of life insurance policies paid upon the death of the person insured, or payments made or credited to the insured on life insurance endowment or annuity contracts upon the maturity of the term mentioned in the contract or upon the surrender of the contract;

The replacing section is very broad, and reads:

(b) Annuities or other annual payments received under the provisions of any contract, except as in this act otherwise provided.

The question I have in mind is this: Most hon. members know that life insurance policies nearly all contain various options which permit the beneficiary to accept payments of the capital proceeds of the policy over a period of years, in quarterly or annual instalments. I would ask the minister whether it is the intention of this section to tax those payments, because I think the section is broad enough to do it, and if it is, that seems to me objectionable. The payments which the beneficiary receives spread over five or ten years are in large part capital. It is true they include a portion representing interest, in decreasing amounts, but in large part they are capital. It seems to me unfair to tax payments of that kind as income.

Mr. ILSLEY: I wholly agree with the hon. gentleman that it would be unfair to tax payments of that kind as income. This section is designed to apply to annuities in the true sense of the term. The reason why the phrase "or other annual payments" is used is that this appears to be a term apart, shall I say; it appears in the English statutes "annuities or other annual payments." Those words are always used together and used to mean apparently the same thing. It is not intended to tax a sum of money which is payable over a number of years in instalments. That is not regarded as an annual payment within the meaning of this section. If there is any difficulty about that, we shall have to take steps to correct it, but we thought it best not to depart from the time-honoured English phrase, "annuities or other annual payments."

Section agreed to.

On section 9—Excepted incomes.

Mr. TUSTIN: In what category is the $2,000 car allowance of ministers? Also Mr. Speaker receives a living allowance, and so does Mr. Deputy Speaker. Are their living allowances taxable?

Mr. ILSLEY: The $2,000 car allowance is not taxable. But in so far as it is not spent it should be regarded as income under the principle I stated a while ago.

Mr. HANSON (York-Sunbury): It is income if it is not spent?

Mr. ILSLEY: Yes, as I read the law that is the correct rule to apply. As to the living allowances referred to, I shall have to look into that matter. I have not had any notice of that, and these are delicate questions.

Mr. HANSON (York-Sunbury): As far as I am concerned I may tell the hon. gentleman that $2,000 is not enough to take care of the cost of operating a car if depreciation and chauffeur's wages are included.

Section agreed to.

On section 10—Depletion.

Mr. HANSON (York-Sunbury): On the question of timber lands, would the minister give us the rate of depletion, and say whether in the department they distinguish between freehold and crown timber, and what is the rate for each?

Mr. ILSLEY: I do not think there is any distinction between freehold and leasehold so far as depletion is concerned. It is the cost that is taken into account, and the rate of depletion varies.

Mr. HANSON (York-Sunbury): I think there is some error there. Depletion is the exhaustion of standing timber. In the case of crown timber limits the timber is owned by the crown and all the lessee has is the right of entry. He pays an annual rental and a stumpage charge, and in some provinces he pays a forest fire protection tax, but he does not own the timber and when it is cut it is the crown's property that is being depleted. Therefore, unless he has paid a premium for his lease, he is not entitled to nearly as much for depletion as the owner of a freehold. In the case of crown leases the lease holder frequently gets them at the upset price, in my province $20 a mile, an annual charge of $8, a stumpage charge of $3 a thousand or whatever it may be, and the forest fire protection tax. But in the case of a freehold timber limit it may cost the holder $50 an acre. He can only take a crop off once in so many years. If he is wise he cuts it so that he can go back in some years and get another crop, but every time he takes the timber off he is depleting his estate, and is entitled to a much larger sum for depletion than a leaseholder. If he wipes out all the timber, if he "cuts it clean", as they say, he will not get another crop for, say twenty or twenty-five years. He has cut down and carried away ninety per cent or more of the value. He should be allowed a large depletion charge.

I think the minister's statement is in error as to the practice, because I had this question up with the department at least ten years ago in the case of a seigniory in the province of Quebec, in which they allowed my client double what they would have allowed a leaseholder. I thought the practice still prevailed. As a matter of fact, I just rose to make sure that they are continuing the practice, which I understood was established

at that time. If they do not differentiate, there is a great injustice being done to holders of freehold limits.

Mr. ILSLEY: I do not think there is any injustice being done, and I do not think we can thresh out the matter satisfactorily here. To begin with, we would have to know the terms upon which the leasehold was granted. It would seem to me—without knowing much about the practice, I admit—that if a person obtained a leasehold for a substantial period and if he cut that timber year by year, he is depleting his capital exactly in the same sense as if he were cutting on land which he bought and owned. That depletion should be allowed on the same principle, and I think it is.

Mr. HANSON (York-Sunbury): I think that is sound to the extent that he paid a substantial amount for it, but if he got it as they did in New Brunswick back in 1892, farmed the limits out among themselves at the upset price of $20 a mile, instead of paying a premium, of course they had very little investment in the limits. It is so little that it is only the right of a franchise. But if they paid $1,000 a square mile, as I have paid for clients, or in fact $2,000 a square mile for the franchise, the right to go in and cut, then of course there is a substantial investment in the limit and they must get it back by way of depletion. I agree, however, that perhaps we cannot thresh the matter out here or make any general rule.

Each case should be and, I think, will be treated on its merits by the department. Take the case of a small coal mine in New Brunswick. The ordinary rate of depletion is ten cents a ton, based upon the theory that the government of the province charges that amount as a royalty. That is a very small amount, but take a given area of land, perhaps fifty acres of New Brunswick coal mining land, with depths that can be ascertained easily by drilling. Those experienced men down there can tell you almost to within five hundred tons what is underlying that area, and they know exactly what they should pay for it. I have seen small areas like that where the freeholder, who also had been given the mining rights by a paternal provincial government, had both the freehold and the mining right to sell, and he sold the whole thing, but at a cost of about fifty cents a ton based upon the coal underlying. In that case the department should allow the fifty cents a ton when the depletion is taken out, and I think that is what they have done.

I mention this merely to illustrate the fact that in the long run each case will have to be dealt with on its own basis and merits. I hope that is what the department will do, and I think this section allows them to do that.

Mr. ILSLEY: Yes.

Mr. GREEN: What facilities have the department for determining a fair allowance for the exhaustion of a mine or an oil well? Do they cooperate with the provincial governments at all?

Mr. ILSLEY: I think I would have to admit that it is impossible to fix a rate that has a scientific basis at all. The department establishes a flat rate for various classes of mines, oil wells and so on. Just what they base it upon I do not know, but it is considered fair under all the circumstances. I know that is a very loose way of describing the principle underlying allowances; but that is what is done, and as far as I can learn that is what is done in the United States. It is a most difficult thing to set a depletion allowance which will be exactly right. Take the gold mining industry. Theoretically the depletion allowance should be such as to provide for a return of the capital over the life of the mine. But the lives of mines differ tremendously. The average life of a mine this year is different from the average life next year, so there is practically nothing to go on. As a matter of fact, there has been a long standing debate between the gold mining industry and the department, not so acute in recent years but very much so up to two or three years ago, as between 50 per cent and 33⅓ per cent for depletion. The government allows 33⅓ per cent; the industry considers that the rate should be 50 per cent. I think 33⅓ per cent would be too much if there were only one mine and it had a long life, but of course it would be too little for a mine that had a very short life. As a result, you simply have to do the best you can to fix a depletion allowance that strikes a considerable number of intelligent people as fair.

Mr. GREEN: Is any attempt made to cooperate with provincial departments of mines?

Mr. ILSLEY: No; this is done by the Department of National Revenue, not in collaboration with provincial departments.

Mr. GREEN: Are there any mining experts in the department at all, who know a mine from an oil well?

Mr. ILSLEY: As one who knows very little about mines I have been tremendously impressed by the knowledge there is in the income tax division with regard to mines. Of course in that regard the income tax division has to consult other branches of the government where there is some knowledge of mining.

We have a Department of Mines and Resources, of course, from which a great deal of information can be obtained.

Mr. HANSON (York-Sunbury): If the minister will permit me I can give him a rough and ready rule with respect to the depletion of timber limits. That is, it should be based on a correct statement of the capital cost of the limit to the holding. That, coupled with a knowledge of what is being taken off annually, would give the department some guide, at all events, as to what should be allowed for depletion. I venture to say that it will differ in each case.

Mr. ILSLEY: The commissioner tells me that is substantially the rule adopted in the department.

Mr. CHURCH: As I understand it in connection with mines, oil wells, timber limits, cuts on a stumpage basis plan and all that sort of thing, there is great duplication as between the dominion and the provinces. We now have the principle that the dominion will collect dues for the provinces. That was started in connection with the collection of income tax; now each session the principle is being extended. In my opinion that is a bad principle; in finance it is called robbing Peter to pay Paul, or having federal authority as agent to collect levies for the provinces. I think it is a dangerous principle to extend to the natural resources of this country, and I am afraid it may be extended to the direct current and cheap light and power in this country, as was mentioned a year or two ago.

I think this is all wrong. Let the provinces collect their own taxes of all kinds and their own dues and all other levies. The federal authority has no more right to collect provincial taxes than it has to collect municipal taxes as agents for another authority. As the late Mr. Robb said in 1927, when this principle was initiated, it is doubtful whether we have legal authority to do this, and it was never intended at confederation. We have many of the same classes of property assessed by the dominion, the province and, in many instances, the municipality. Surely the dominion has enough to do in looking after its own affairs without meddling with provincial taxation. I believe the provinces should pay the cost of collecting their own taxes. There is only a very small charge imposed by the dominion for acting as agent for the provinces in collecting this money, and it is leading the dominion into all sorts of complications, duplications of services and inequalities, and causing a great deal of comment and dissatisfaction. I believe the dominion should say to the provinces, "Go and collect your own taxes yourselves." The federal power took this income tax away from the municipalities in 1917, and that sort of thing is going on all along the line. The inequalities and injustices brought about under this bill are all wrong, and the overgovernment and overtaxation in duplicate and triplicate taxes of all kinds that we have in this country should not be tolerated much longer.

I am opposed to the extension of this collection principle; I believe it is contrary to the British North America Act.

Mr. McNEVIN: With respect to the depletion of timber is it not true that in a great majority of cases, particularly in Ontario at least, timber cut on crown lands is cut on a stumpage dues basis, and therefore does not offer any problem in regard to depletion?

Mr. ILSLEY: That may be the case. I am not familiar with the system in Ontario.

Section agreed to.

Section 11 agreed to.

On section 12—Children from United Kingdom.

Mr. MACDONALD (Brantford City): I notice in the explanatory note this explanation: "This provides tax relief for those who support children evacuated from Great Britain." I do not believe the words are intended to be misleading, but in fact they are misleading. I believe the section does not exempt all children brought from Great Britain. It states, in part:

> Four hundred dollars for each child maintained by the taxpayer in Canada under a cooperative scheme sponsored by the governments of the United Kingdom and of Canada, or any of the provinces of Canada.

There are a number of organizations bringing children to Canada. I recall that the Bar Association of Ontario have arranged with lawyers throughout England to bring to this country and to maintain the children of barristers and solicitors in England and Scotland. I would take it from section 12, as at present drafted, that children brought in under such arrangements would not be exempt, and that no exemption would be granted for the care of such children. I cannot see why a person bringing a child to Canada and maintaining that child in a Canadian home, particularly if it is brought under the auspices of a reputable association, should not receive all the privileges received by a person who takes a child which is brought into the country under a cooperative scheme sponsored by the respective governments.

I am wondering if the minister has considered amending the section so that it would include all those children. I suggest that the

necessary change could be brought about if all the words between the word "Canada" in the twenty-fifth line and "Canada" in the twenty-seventh line were struck out, permitting the section to read:

> Four hundred dollars for each child maintained by the taxpayer in Canada or any of the provinces of Canada for children brought from the United Kingdom under a government plan, or a plan approved by the government.

I make that suggestion because it seems to me only fair that people bringing children here should receive the same exemption.

Mr. ILSLEY: I agree that the explanatory note is misleading. The subsection does not provide exemption for all children evacuated from Great Britain. It applies only to those who come under a plan sponsored by the government. The hon. member suggests that no such limitation be made.

I would point out that at the resolution stage this matter was debated at considerable length, and the leader of the opposition finally left it in this position: So far as he was concerned, I was to try to work out some way whereby the most deserving cases, those of moderate means who were taking children, or those taking children from families of moderate means, might be provided for. The matter was discussed at considerable length with the officials, but we were unable to arrive at any modification of the section which would achieve that limited end. The only modification possible would be to leave the section wide open, and to allow an income tax exemption in respect of all children taken into homes in this country. That would be giving to persons taking those children a privilege they do not have now, and have never had. I do not feel that we can go that far.

Mr FRASER (Peterborough West): Many of the children in Canada now are here because people in this country arranged for them to come over before the budget was brought down. Had they known that the income tax was going to be so heavy they would never have asked for these children, because they could not have taken care of them. If the taxation is going to be as heavy as has been indicated, they cannot take care of them now. It is going to be a great burden on these people; there is no doubt about that. I know of a family that has brought out three children, and with the income tax where it is they will find it very tough sledding indeed. These people have a small income. I believe the income is about $3,000, and they have these three children from England.

Mr. ILSLEY: What is their total family?

Mr. FRASER (Peterborough West): They have two other children.

Mr. JACKMAN: How many children who have come from the old country have come in under this cooperative plan, or have they all come as a result of direct personal arrangements between people in the old country and people in this country? Have any children come from the old country under the so-called cooperative plan?

Mr. ILSLEY: No.

Mr. JACKMAN: In other words, all the children in Canada to-day who are here as guests from England and Scotland will be here at the entire expense of their hosts? No exemption will be allowed for their upkeep? It seems to me that this is most unfair. It would appear that already no allowance is given for certain classes of Canadian children who are being taken care of by foster parents or by others but who have not been legally adopted. I do not believe that two wrongs make a right, and would urge that further consideration be given the whole matter. This provision has brought about a hardship.

There is one other point in connection with it that I would bring to the attention of the committee. If a charitable organization, donations to which are allowed as a deduction, used part of its funds to keep children who might come out from the old country, the contributors to that charity, if approved by the department—and I know charities are approved—would be allowed total exemption. Yet if an indivdual takes a child he is not allowed exemption.

This policy seems so small, to reasonable-minded people—and I have discussed it with many people, including university teachers and professors who are taking the children of their colleagues in the old country—that it hardly seems that we are doing our part in connection with the whole war effort, or that we are doing fairly by those people facing stress in the old country.

Mr. GREEN: I think the minister might give us an answer to the questions asked by the hon. member for Rosedale (Mr. Jackman). Apparently there are no children in Canada at the present time in respect of whom these exemptions can be obtained?

Mr. ILSLEY: Correct.

Mr. GREEN: And according to the statement made the other day by the Minister of Mines and Resources (Mr. Crerar), there are not likely to be any children in Canada under agreement between the governments for the

rest of the year. That means that this exemption is worth nothing at all in connection with income earned in 1940.

Mr. JACKMAN: And never will be worth anything.

Mr. ILSLEY: It may not be worth anything; I do not know. It depends on whether they come, or whether the government sponsors a cooperative scheme for bringing out those children. If the government does that, then it is a government measure, and the people who have those children will be given income tax consideration.

Mr. GREEN: The fact is that to date no children have come out under the cooperative scheme?

Mr. ILSLEY: That is correct; I said that.

Mr. DUPUIS: May I put to the minister a case as it might occur in Quebec. In our province we have many adoptions. I do not know whether similar laws operate in the other provinces, but the fact is that in Quebec we have a law whereby we may adopt a child. In law that child has the same right as has a legitimate child. If I should adopt a child, would I be allowed $400 exemption?

Mr. ILSLEY: An adopted child is regarded as a child for taxation purposes, and the exemption applies.

Mr. DUPUIS: Even if he is a refugee or an evacuee?

Mr. ILSLEY: If he is adopted.

Mr. CLAXTON: I share the views of hon. members who have spoken this evening, but I understand the minister has reached a decision. Before the section carries, I should like to ask if the department has considered wording the section somewhat as follows?

> Four hundred dollars for each child maintained by the taxpayer in Canada, where the child has been brought out to Canada because of the war and is maintained by the taxpayer in Canada, provided the taxpayer is not in receipt of any income in respect of such child.

That would make it quite clear that such a child would be considered in the same light as one brought out under a government scheme. I represent a constituency in which is located McGill university, one of the great universities of Canada. The members of the staff of that university are not in receipt of large incomes, but they have come forward in a most generous way and have offered to maintain the children of professors and others in like circumstances in England. Children are being brought out to be attached to the households of these professors and lecturers, all of whom are in receipt of small salaries and many of whom already have large families. These and other similar people coming forward in this way to assist in the war are helping just as much as though they had offered to take children brought out under a government scheme. They made the arrangements themselves without waiting for the government, and to me there is no difference in the principle. In each case the people are performing a useful service, and if a concession is granted in the one case it should be granted in the other.

Mr. GREEN: Will the minister explain the meaning of this proviso?

Mr. ILSLEY: That was carefully and laboriously explained on the resolution. It simply means that if a person is in receipt of an income of $5,000, his rate of taxation in the higher part of that income is 20 per cent. If he takes a child and is granted an exemption under this section, his income tax will be reduced by $80. The government will lose in revenue in respect of that child, $80 a year. This merely means that the government will not sacrifice more than $80 a year, even though the taxpayer is in receipt of an income of $20,000.

Mr. HANSON (York-Sunbury): What would he be taxed ordinarily with a $20,000 income?

Mr. ILSLEY: It is 41 per cent.

Mr. COLDWELL: I was hoping the minister might see his way clear to meet the requests which have been made so generally from all sides of the house, and I still hope that the suggestion made by the hon. member for St. Lawrence-St. George (Mr. Claxton) will be considered as a reasonable one. These university professors and lecturers did not wait for some government plan to be put into operation; they used their own initiative and tried to assist their fellow professors and lecturers in Great Britain. Would the minister be willing to let this section stand in order that it may be reconsidered?

Mr. ILSLEY: I do not think it would be of much service to let the section stand any longer. The persons referred to by the hon gentlemen are in effect asking the government to make a contribution of $50, $50 or $80 a year per child. The government is prepared to do that if it sponsors a scheme, but if it does not sponsor a scheme it does not feel that it should be called upon to depart from the principle which has been in force ever since income war tax legislation has been applied.

Section agreed to.

Sections 13, 14 and 15 agreed to.

On section 16—Depreciation.

Mr. HANSON (York-Sunbury): Is this the one which was brought in by way of amendment to the resolution?

Mr. ILSLEY: Yes.

Section agreed to.

On section 17—Limitation of expenses.

Mr. ABBOTT: I and other hon. members spoke on this section when the resolutions were being considered. It gives the minister most far-reaching power, the discretion to disallow any expense which he in his discretion may determine to be in excess of what is reasonable or normal for the business carried on by the taxpayer. When we were considering the resolution upon which this amendment is based I stated that while I had no objection to the section provided an appeal were allowed from the minister's decision, I felt it was most objectionable if no appeal were allowed. As the section now stands it does not provide for an appeal, and personally I doubt that if an appeal were taken under section 66 the courts would review the exercise of the minister's discretion. Under the act the treasury board is given power to disallow certain transactions which in its opinion are for the purpose of evading taxation. I think transactions of that kind will be much less frequent than will disputes as to whether expenses are excessive. Section 32 has a subsection which specifically provides for the right of appeal from the decision of the treasury board, and I suggest that this section should have a similar provision. I thought the minister indicated when we were discussing the section before, that he had no objection to there being an appeal from his decision in connection with these questions of expenses.

Mr. ILSLEY: I think there is an appeal now. I looked into this matter quite carefully and found that the Income War Tax Act provides in some thirty-nine places for the exercise of discretion by the minister, and in seven of those it is stated that his finding shall be final and conclusive. The words "final and conclusive" are not used in the section under discussion. I doubt if it is necessary to provide specifically in this section for an appeal from the minister's discretion, because the section does not differ greatly from many other sections which provide for a similar exercise of discretion. A general right of appeal to the exchequer court of Canada is provided by the act. I read the provisions of that the other night. I have also had a memorandum prepared as to the principles which apply to such a measure. The memorandum states that judicial interference may occur when (1) the discretion has not really been exercised; (2) when it has not been exercised honestly and fairly; (3) when the party exercising the discretion was influenced by extraneous and irrelevant facts; and (4) when the decision was based on principles incorrect in law. Those are four classes of cases which are all based on decisions of the courts.

Mr. HANSON (York-Sunbury): In England?

Mr. ILSLEY: They are nearly all English decisions, but there are two or three Canadian cases. The memorandum also states:

> There is only one class of case in which the judiciary has admitted that a review of the exercise of ministerial discretion will not lie, and that is where the statute makes the decision of the minister final and conclusive.

This section does not make the decision of the minister final and conclusive, and so I suggest that perhaps the matter should be left in the position where it is now.

In regard to the treasury board section, section 32A, there is express provision for an appeal to the exchequer court of Canada, but that section is so exceptional, enabling the treasury board to exercise such sweeping powers, that I have not any objection to providing for a special appeal to the exchequer court from that section. But if we provide expressly for an appeal from the findings of the minister under this section, I do not see how we can escape doing the same thing expressly in quite a number of the other thirty-eight cases which are mentioned in the act, and I would not care to do that.

I do not think the hon. gentleman need fear that the discretion of the department will be exercised arbitrarily or unreasonably. I think it is important to have that power in the minister; I do not think the hon. gentleman would dispute that. In these cases of high taxes, and especially in time of war, the executive must have considerable power, and I do not think this is quite the time, even if a case could be made for it in time of peace, for introducing checks upon the exercise of the discretion of the executive. We are leaving checks there which have always been there in regard to this class of cases, and while this power to disallow any disbursements by taxpayers does appear to be a little greater power than is conferred by some other sections of the act, it is not different in character but only just a little bit different in importance from the power taken under other sections of the act, and I really would not feel like introducing a special appeal from this particular section at this particular time.

Mr. HANSON (York-Sunbury): The real objection to this type of legislation is this, that the effect of it is to give power to the minister to fix the rate of taxation. What would we think if the minister asked for power to fix the rate of duties on dutiable goods? It would be an unheard of thing. The indirect effect of this type of legislation is to give the minister power to affect the rate of taxation which a taxpayer has to pay. There may be an appeal; I am trying to follow the minister's reasoning in that regard. If there are thirty-seven or thirty-nine cases like this, that is of course a grave extension of a taxing principle that ought not to be in any taxing statute. It is a principle of taxing statutes, as I have always understood them, that the right to tax must be clear. The burden is on the crown to show the right to tax, and that includes the rate of taxation. Those principles are elementary. Anybody who is interested will find them in Craies or any other authority on statute law. All these cases to which the minister has referred are exceptions from what is the general rule of a taxing statute, and therefore I should say they really cannot be defended in principle. It is a matter of expediency; that is what it is, and of making it easy to collect the tax. You say: Oh, we will give the power to the minister. But you do not do it in any other walk of life that I know of. You do not give the minister that power with respect to customs schedules. There is the power to impose penalties there, but the Minister of National Revenue is not given the right to fix the rate of duty. That is the objection in principle as I view it.

Mr. ABBOTT: I do not dispute the advisability of giving ministerial discretion in this section, but I think it should be made perfectly clear that there is the right of appeal from the minister's decision, and an effective right of appeal. I am not satisfied that under this section such a right of appeal would be effective. The words of the section are "which he in his discretion may determine to be in excess" and so on. I do not believe the courts would look into the merits of the case to determine whether or not that discretion had been exercised wisely or not.

Mr. HANSON (York-Sunbury): They never will.

Mr. ABBOTT: And I strongly suggest that if in section 32A the right of appeal is given, which in my opinion contemplates a case that would be far less frequent and far less important than cases under this particular section, then in this section which gives the broadest possible discretion to the minister it should be made clear that the taxpayer has the right of appeal to the courts if he feels aggrieved by the decision of the minister, and that right of appeal should be an effective appeal to decide whether the minister's discretion had been exercised correctly or not.

Mr. ILSLEY: I was going to say that under section 5 (a) the minister "in his discretion, may allow for depreciation". Section 5 (a) reads:

> "Income" as hereinbefore defined shall for the purposes of this act be subject to the following exemptions and deductions:
>
> (a) Such reasonable amount as the minister, in his discretion, may allow for depreciation.

I do not think the following words are relevant, although there are other words in the sentence. The minister did in the Pioneer Laundry case fix the depreciation in his discretion. The case was taken to the courts and finally to the privy council, which held that the minister based his allowance for depreciation upon principles incorrect in law, and reversed him and disallowed the depreciation that he had allowed. Undoubtedly if the minister under this section based his disallowance of expenses upon principles incorrect in law, the Exchequer Court of Canada and higher courts would have the power to overrule him.

Mr. HANSON (York-Sunbury): That goes to the question of jurisdiction if the decision is based upon an improper principle, but where there is a dispute as to the quantum, the courts will not review that.

Mr. ILSLEY: I have made the principles just as clear as I possibly could.

Mr. ABBOTT: I am familiar with the Pioneer Laundry case and the only reason why the court overruled the minister in that case was that he made the mistake of showing exactly how he had arrived at his depreciation figure. If he had been just a little more careful and given no specific reasons, the court might not have interfered with the exercise of his discretion. In the case of expenses of this kind I think it is quite likely that a disallowance would be given for no particular reason other than that it was in excess of the reasonable requirements of business, and I am fairly certain that if an expense were disallowed on this general ground the court would not interfere with that discretion. As I have said, the mistake which was made in that case was that of showing clearly that they had proceeded on an erroneous basis.

Section agreed to.

Sections 18 to 20 inclusive agreed to.

On section 21—Withholding of 15 per cent on account of non-residents taxed for services rendered in Canada.

Mr. ILSLEY: One or two verbal changes in this section are necessary. The section as it appears in the draft bill reads as follows:

Every person resident and carrying on business in Canada. . . .

It is desirable to change that to:

Every person resident or carrying on business in Canada. . . .

In line 30 the language is:

. . . shall withhold and remit to the receiver general. . . .

It is desirable to change that to:

. . . shall withhold and remit forthwith to the receiver general. . . .

The rest of the section is exactly the same.

Mr. CRERAR moved:

That section 21 be amended by changing the word "and" in line 29 thereof after the word "resident" and substituting in lieu thereof the word "or", and by adding in line 30 after the word "remit", the word "forthwith".

Amendment agreed to.

Section as amended agreed to.

Section 22 agreed to.

On section 23—Repeal.

Mr. HANSON (York-Sunbury): Section 29 is said to be a non-operative section. What is that?

Mr. ILSLEY: This section is an obsolete one. I will read it.

Mr. HANSON (York-Sunbury): The explanatory note says, "a non-operative section."

Mr. ILSLEY: Well, it is non-operative because it is obsolete. Section 29 reads:

Any person liable to taxation under this act who is not resident in Canada and is not a British subject shall not be entitled to the exemption allowed by paragraph (e) of subsection one of section five of this act—

Those are the marital exemptions.

—and in lieu of the tax prescribed by section nine of this act, he shall pay a tax of eight per centum upon all income in excess of one thousand dollars.

2. The provisions of subsection one of this section shall come into force at a date to be named by proclamation of the governor in council, and the governor in council may, by the said proclamation specify the taxation periods to which the said subsection shall apply.

This section was never proclaimed. It was enacted—

Mr. HANSON (York-Sunbury): To meet a particular case?

Mr. ILSLEY: No—because another country was denying to our citizens something we were giving to theirs, and this section was passed with power to proclaim. However, the provisions of the bill which was before the legislature of another country were changed, so it was never necessary to proclaim this section or put it into effect.

Section agreed to.

Sections 24 and 25 agreed to.

On section 26—To whom applicable, etc.

Mr. CHURCH: Section 26 is a sort of omnibus clause. It deals with many definitions from sections 1 to 25. The clause to which I wish to refer in this section is the definition of the word "employee," which is set out on page 12, and the reference to the word "employee" at the foot of page 3 of the resolutions:

(2) That every employer be required to deduct the tax imposed in respect of earnings of the employee earned or accruing due during and after July, 1940.

In the resolutions there is no definition of "employee," but there are elaborate descriptions of "employee" and "employer" under section 26 of this bill, on page 12; which reads:

(16) "Employee" shall for the purposes of this section include any person who receives as income any salary, wage, remuneration, compensation, hire, emolument, stipend, perquisite, or any similar payment or any indemnity, pension or director's fee, howsoever paid for any services, functions or duties rendered or performed in Canada.

There is a shorter definition of the word "employer."

"Employer" shall for the purposes of this section include any person who makes any payment of the descriptions referred to in subsection sixteen of this section.

Hon. members will see that the result of the definitions of "employer" and "employee" is to open up many statutes, like the Judges Act, and to affect the office of lieutenant-governor, the position of soldiers, of the supreme and superior courts, of many boards and other public bodies of parliament and all commissions. No doubt there should be equality of treatment. I should like to find out from the minister if it applies to the family vault with its sepulchral walls. If anyone were to laugh over there, the galleries would collapse. Would it apply to them over there, to judges, to members of parliament, and to the cabinet, who are pretty heavily taxed at present? I should like to find out from the minister if anybody in Canada is exempt. Under the definition of employee there seems to be no escape from this clause. Is it intended under section 26 to supersede certain special acts like the Judges

Act, or to make the tax applicable to lieutenant-governors and holders of many other offices? I am not asking that anyone be exempted. As I read the section it will apply to anybody in Canada who comes under the schedules set out in the bill, whether he is exempt under special acts or not. I agree that there should be no exemptions, and that all should be taxed alike.

Mr. ILSLEY: We are not excepting lieutenant-governors or judges from the provisions of the national defence tax. That was explained this afternoon. We are adopting the definition of income which is contained in the Income War Tax Act. The incomes of certain persons are not liable to tax under this section, and those persons are specified on page 10 of the draft bill, subsection (4); they include incorporated companies, municipalities, municipal or public bodies which in the opinion of the minister perform a function of government. There are some other exceptions, but they are not very many. I think the exceptions that are found in the Income War Tax Act are fairly well brought under this act, but not many others.

Mr. CHURCH: It is the desire of every good citizen to pay all his taxes promptly as far as he is able. But there has been too much curtailing of the rights and powers and privileges of this parliament. Members of the House of Commons are ready and willing to pay their taxes. They are just employees; that is all they are to-day, the way this government is creating boards and commissions, and members of the house might just as well go home. In the old days six papers in Toronto used to report the proceedings of parliament; to-day they are almost ignored. We are just employees of the government.

I have no objection to this amendment; it is proper that these people should pay, but the system of taxation is wrong. Under this very section you will have the provinces come along and impose the same system of taxation. In 1917 when this parliament first took over the income tax, the province of Ontario came along and imposed one mill on the assessment of every municipality in Ontario, although not by the largest stretch of imagination could it be said that the provinces had anything to do with militia and defence, which under the British North America Act is exclusively federal. This duplicate system of taxation went so far in Ontario that in 1907 an amount of $3.75 appeared in the provincial accounts that was found in the pocket on a man's body in the morgue, and instead of being given to the municipality which built the morgue and supplied the van to take the body to the morgue, it was confiscated by the treasury of the province. The province should collect its own revenue, and we have no business meddling in provincial affairs as we do. It became unfortunate for hon. gentlemen opposite the way they interfered in Ontario, in view of the disruption which resulted to them in the last election, and I doubt whether it has been a financial success. The province should be its own tax collector and not ask the Minister of Finance of the dominion to be what the hon. member for Témiscouata the other night described as Pooh-Bah, the Lord High-Everything that Koko was not.

The CHAIRMAN: Shall section 26 carry?

Mr. HANSON (York-Sunbury): The whole section at once?

The CHAIRMAN: If it is the desire to take each subsection separately, then the discussion we have had is altogether out of order. It was on subsection 16.

Mr. HANSON (York-Sunbury): We are on section 26 and no one has suggested that we take it paragraph by paragraph. But I want to ask the minister some questions with respect to subsections 3 and 16. We are all interested in the fact that the definition of employee includes the person who receives an indemnity. I have no objection to that, but how is the minister going to allocate it for this year in respect of members of parliament? The statute came into effect on July 1, and the employer, the dominion government, will have to make the remittance to itself on September 16 and monthly thereafter. We came together here on May 16, and I hope we shall be out of here by July 31. The indemnity is $4,000, and as far as I am concerned the government is going to get it all in income tax in the end. But with regard to the national defence tax, how much is the government going to deduct from my salary cheque on July 31? I am putting it as myself rather than the hon. member for Moose Jaw. What does the minister propose to do about it for this year and succeeding years? Would it not be simpler to have it paid with the income tax? How are you going to allocate it this year when we know that most of the indemnity was earned prior to July 1 although we had not received it?

Mr. ILSLEY: That does not make any difference.

Mr. HANSON (York-Sunbury): Well, it will make a difference. How much am I going to pay on the balance of my indemnity? Surely I am going to escape on the amount received for May and June.

Mr. ILSLEY: That is not the way we do it.

Mr. HANSON (York-Sunbury): Well, how will it be done? This does not provide at all.

Mr. ILSLEY: It does not make any difference what part of the year it is earned in, but it is half the income earned any time in the year that is subject to the tax.

Mr. HANSON (York-Sunbury): Which section is that?

Mr. ILSLEY: The hon. member for Rosedale had that question up. He did not bring up the matter of indemnity, but he was putting the case of a bonus payable at the very last of the year, and wanted to know whether the whole of that bonus would be subject to the two per cent national defence tax by reason of its being paid at the very end of the year. I pointed out that it did not make any difference when the bonus was paid so long as it was paid in the year. It is half the total year's earnings that is subject to the tax. That is section 27, subsection 3:

> . . . in respect of the year 1940 the tax shall be imposed on one-half only of the income if the income for the whole year exceeds the relevant amount. . . .

Mr. STIRLING: Is the government going to deduct it or not?

Mr. ILSLEY: Under the provisions of this measure it is deductible, yes. I do not know that it makes much difference in the case of members of parliament; the only thing is we are laying down a principle, we have to act in such a way that the fairness of our actions will appeal to the eleven or twelve million people of Canada, and we are deducting at the source.

Mr. HANSON (York-Sunbury): That is the cheapest way to collect it.

Mr. ILSLEY: That is the cheapest way, and we are applying it to ourselves.

Mr. HANSON (York-Sunbury): What will be the concrete application to the indemnity this year? Will it be on $2,000 at the end of the session?

Mr. ILSLEY: On the indemnity of members of parliament it will be two per cent of $2,000.

Mr. HANSON (York-Sunbury): And thereafter on $4,000 as long as the tax is in force?

Mr. ILSLEY: Yes, provided the member is married and so on.

Mr. HANSON (York-Sunbury): Then in subsection 3 I was intrigued by the "extra tax", because there was not anything in the resolution about this. Is this just a penalty for not collecting the tax? Under the marginal note "extra tax", it says:

> Taxes imposed by this section which have not been deducted at the source—

Is that a penalty, or is it an extra tax in cases where the tax cannot be deducted at the source?

Mr. ILSLEY: It is an equalization tax. Here we have wage-earners all over the country who are going to have their tax deducted week by week, in a good many instances. There will be others, perhaps belonging to the professional class, who will not pay until the end of the year; there will be no way of deducting their taxes at the source. An inequality arises there unless something is introduced into the statute to equalize it, and that is what this is designed to do.

Mr. HANSON (York-Sunbury): Could the minister give us a concrete case, say that of a physician who is on his own? His tax could not be deducted at the source; the patient could not very well deduct the tax on the fee.

Mr. ILSLEY: If the income of the physician is $10,000 he will pay a tax of $200. It will not be deducted at the source; he will not pay it until the end of the year. Then, instead of paying $200, he will have to pay $203 to equalize his position with that of somebody else who has paid the tax during the year week by week or month by month as the case may be.

Mr. HANSON (York-Sunbury): You are only going to make the physician pay on what he collects, not on what he carries on his books?

Mr. ILSLEY: That is right.

Mr. HANSON (York-Sunbury): It will be on his cash return?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): Not on his book accounts?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): As and when those are paid they will be taken into account as cash returns for that particular year?

Mr. ILSLEY: Yes.

Mr. MacNICOL: Take the case of a landlord collecting rents monthly. When does he pay this two per cent? Does he pay it monthly or at the end of the year?

Mr. ILSLEY: He pays at the end of the year on the net income.

Mr. MacNICOL: That is not on the same basis?

Mr. HANSON (York-Sunbury): That is not wages or salary.

Mr. MacNICOL: Then I notice the words "blood relationship" in paragraph (d) of subsection (10). Just what is included in those words? Does it mean cousins, nephews, nieces and so forth?

Mr. ILSLEY: We all know what relations are, and if they are relations they are blood relations. I cannot put it any clearer than that. There is a blood relationship; they are related by consanguinity. I cannot give the hon. genteman the whole list, which is extensive. In practice, however, it is not extensive, because actually a person only supports somebody who is pretty close to him.

Mr. FRASER (Peterborough West): This extra tax bears out what I tried to get across once before, that the government charges interest if we do not pay, but they will not allow us anything if we do pay. The minister has not said whether or not he will allow us anything in regard to the regular income tax. If we paid this tax in advance would we get a discount, or how is it worked out?

Mr. ILSLEY: There is no discount in either case.

Mr. GREEN: What increase in the staff of the department is expected to be necessary in order to administer this national defence tax?

Mr. ILSLEY: Something over five hundred is estimated.

Mr. GREEN: Over five hundred new civil servants?

Mr. ILSLEY: Yes.

Mr. GREEN: Under subsection 5, as I read it, an employee who does seasonal work, who may work for two or three weeks or two or three months at a daily wage which, if he received it during the entire year would bring him over $600, must pay the tax. In such case the employer must deduct the tax just as though that man were going to work for a whole year, and send it in to the government. Then at the end of the year if it should be found that no tax was payable because the man had worked for only two or three weeks or two or three months, the government would have to go through all the red tape of refunding that tax, and the man would have to go through all the red tape of making application for the refund?

Mr. ILSLEY: Yes.

Mr. GREEN: No wonder five hundred new civil servants will be needed to administer this tax.

Mr. ILSLEY: That is right.

Mr. STIRLING: How does the taxpayer make his return in connection with this? Take the case of a member of parliament, if you will. He will have the tax deducted from his indemnity, but in the case of other income he may have will it be picked up with the income tax return of the following year, or will there be a separate return which will have to be made by April 30 following?

Mr. ILSLEY: It will be provided for in his income tax return.

Mr. STIRLING: The following April?

Mr. ILSLEY: Yes.

Mr. GREEN: Following up my question of a few moments ago, what is the estimated increase in cost to the country through the administration of this tax?

Mr. ILSLEY: The cost of collecting the new tax is fairly certain to be below three per cent of the amount of the tax collected. Personally I think it will be considerably below that.

Mr. GREEN: Does the minister know the estimated figure?

Mr. ILSLEY: I do not think we can give any estimate that would be of much value. The other night something was said about half a million dollars, but I should think it would be more than that, perhaps a million; I do not know.

Mr. GREEN: Would it not save a great deal of trouble and expense if the minimum were made higher than $600? After all, it seems ridiculous to go to all that expense in order to collect a few cents from the large number of people who have very small incomes. Would it not save the country money if the minimum were raised from $600 to at least $750 or perhaps $1,000?

Mr. ILSLEY: The higher you make it, the less trouble you will have; there is no doubt about that.

Mr. GREEN: And you might save money.

Mr. ESLING: At the risk of repetition, may I ask the minister this question: If one hires a carpenter to do some repair work, and pays him $50 for that work, how is one going to know what other work the man gets? Is that person to be responsible for the carpenter's earnings at some other point? In other words, I believe it is practically the same as the provincial tax of one per cent on earnings. In the province, the moment we pay a man we deduct one per cent, and the matter is closed. There is no more work to it. Does the person who hires the carpenter deduct the two per cent when the car-

penter is paid, and remit to the government? That may be all the dealings we would have with that particular man.

Mr. ILSLEY: There has to be a deduction. If he is not on a contract basis, or if he is an employee of the hon. member, then the hon. member must deduct the two per cent and remit it to the government.

Mr. ESLING: That is all right; but I understand he is through when he remits that two per cent for that one employee who has done a week's work, or whatever the time may be.

Mr. ILSLEY: The employer is through, but the government may not be through. The government may have to send it back to the man at the end of the year.

Mr. STIRLING: What sort of check will the government have on the individual who employs that carpenter from whose payment he deducts such and such a small sum of money? What sort of check will the government have as to whether or not that employer ever turns the money over to the government?

Mr. ILSLEY: If the employer deducts it and does not send it to the government, then the government will have a check, because the employee at the end of the year will most likely write to get it back, if in the year he has not earned the full amount.

Mr. STIRLING: Only if that man in the course of the year has not earned $600.

Mr. ILSLEY: That is true.

Mr. STIRLING: But I employ a local painter from the town in which I live to do some painting. The painter requires four or five days to do his work, for which he sends me his bill. It is understood that he was not working on contract. I am supposed to deduct the two per cent from the amount I pay that painter?

Mr. ILSLEY: Yes.

Mr. STIRLING: But what sort of check has the government against me if I keep that two per cent?

Mr. ILSLEY: I cannot think of any, except the one I mentioned.

Mr. TUSTIN: The other night I brought to the attention of the minister the position occupied by seasonal workers, particularly those working in the canning factories. I asked at that time if it would be necessary for employers to take two per cent out of the salaries of those earning $600 or $1,200 a year. He said it would be necessary. I am asking the minister again to give consideration to that point, and for this reason: There will be thousands of those employees who, as the employers know, will not begin to earn $600 a year. That ruling will cause no end of confusion and there will be no end of work in the minister's department in making refunds. I suggest that his department should be able to work out some system whereby it would not be necessary to collect the two per cent on those accounts which the employer is certain will not reach $600.

Then I have this further question: As the minister is no doubt aware, a great many of the employees in canning factories are women, and a good proportion of them are married women. It may be that their husbands are working part time, too. In what position will they be? Will they come under the $600 wage, or the $1,200?

Mr. ILSLEY: If married, for deduction purposes they are given the $1,200 exemption. That is, they are not taxable unless they earn over $1,200.

Mr. TUSTIN: I do not know whether I have made myself clear. Do I understand a husband and wife would be both entitled to $1,200?

Mr. ILSLEY: No, that is not correct. I do not wish to let that impression go out. If the husband gets a deduction of $1,200, the wife cannot get one also.

Mr. TUSTIN: Would she be entitled to any deduction?

Mr. ILSLEY: Mr. Chairman, I believe I shall have to take refuge in sending the hon. member to the commissioner. I do not think this is a proper place to put these technical questions to the minister, namely, on the floor of the house. An answer may be inadvertently wrong in some small particular, but might be quoted in that way. It may be said that the minister said thus and so on the floor of the house. The hon. member is asking about fine points in the administration of the measure, and there would be no trouble at all about them if he would just take them up with the commissioner. He might answer a few questions put to him by the commissioner at the same time he is putting his questions.

Mr. TUSTIN: I thank the minister, and I should be very glad to get that information from the commissioner. But as a member of the House of Commons I have a right to ask these questions, and I am standing on my personal rights as a member when I ask the minister questions from the floor of the house. Of course I want a statement from the minister; that is why I am asking him the questions. But I would be delighted to have the answers privately.

Mr. FAIR: In respect of farm help, do I understand that a farmer has to deduct two per cent from three or four days' wages earned during harvest time from any man he may happen to hire?

Mr. ILSLEY: Yes, if that man is earning at the rate of $600 a year, or over.

Mr. FAIR: Does the minister or the government believe that farm labourers are earning $600 a year?

Mr. ILSLEY: If they are not, then they are not taxable.

Mr. FAIR: I cannot understand this. I was told a moment ago that if a farmer hired a man for three or four days during harvest he would be supposed to deduct two per cent of the amount paid. I know very well that very few farm hands earn—or at least get—$600 a year. So I think it is absolute foolishness and a waste of time to ask a farmer to collect that from the men, because in ninety-five per cent of the cases we know they are not going to do it. And if they do collect it, the government will have the expense of refunding it again at the end of the year. Something sensible should be done in connection with this tax. It is pure foolishness to try to collect the tax from some of these lower paid men and women, and I suggest that a more sensible view should be taken of the matter. Those who we know are not earning $600 should be relieved entirely of the responsibility.

Mr. ILSLEY: It is quite obvious that we cannot have an amendment in those words. It would be open to so much confusion that it would be even worse than the hon. member contends the law is at the present time.

Mr. FAIR: I suggest the minister is going to have difficulty anyway, because a farmer knows just about what a man earns in a year. I do not think five per cent will be collected.

Mr. ROSS (Souris): Following what has been said by the hon. member, I would point out that farmers who hire transient help in the fall for a few days will have to make this deduction. They will be hiring chaps who are wandering through the country. I know in my own area there are many hundreds of people who are relief recipients during part of the year, but they work for some time in the fall. The collection of this tax seems to involve an absurd amount of red tape; and if it is adopted, there will be thousands of those people who will have deductions made from their pay for only a few days' work. If they are not married men, and are moving round the country, I do not know what this tax will involve. Surely we can find some way of getting around it. There are thousands of people throughout the west who will never make $600 in any one year. It seems to me that this will create a great deal of bookkeeping and red tape. I think we could discover some means to eliminate all this.

Mr. McCANN: Obviously there will be considerable difficulty in the collection of this tax. Would the minister consider making the basis of this tax the aggregate earnings of an individual for six months or a year prior to the time the tax went into effect? That is the basis used by workmen's compensation boards, particularly in Ontario, in order to arrive at an average weekly or monthly earning upon which to base compensation to be paid to an individual. I would suggest that if a man in the $600 class has a record of not having earned $600 in the year previous, he should not have to pay the tax. But if a man has made over $600, then a remittance should be made in accordance with the regulations.

Mr. ILSLEY: That might be done if there were any way of knowing what the taxpayer had earned in the previous year. But we would have no return from the taxpayer and it would be almost impossible to get one. We would have no accurate information as to how much he had earned in the previous year or in the previous six months.

Mr. McCANN: You are gambling with the future, whereas you would know something about a man's past earning power.

Mr. ILSLEY: It would be very difficult to get a statement. We have something to go on here. We are working in the present, not in the past. We know what a man is getting at the time he gets the money. We are placing the obligation upon the employer, whether he is a farmer or someone else. It seems to me that at a time like this the employers ought to be ready to go to a great deal of trouble. They will have to go to a great deal of trouble if this is to be a success. If they get the idea that this means only a great deal of red tape, that it is just nonsense, that it should have been done in another way, then they will go far to prevent this measure from being a success. I do not think they are going to take that view. The difficulties are not as great as hon. gentlemen would have us believe.

Mr. McCANN: It is a nuisance.

Mr. ILSLEY: When we consider what some men are doing for the empire at the present time, the contention that it will be a terrible hardship for a farmer to deduct two per cent from the wages he pays his labourer is something that should not be put forward.

Mr. GREEN: The complaint is not only that the farmer has to deduct it, but also about the red tape that will have to be gone through before the man gets it back again.

Mr. ILSLEY: In some instances.

Mr. GREEN: Take a gardener whom you hire in the summer time, probably once a week or twice a month. He is paid $4 a day, and if you hire him once a week you will have to deduct eight cents and send it in to the government. Surely that is ridiculous, especially when he will have to apply to get it back at the end of the year if he has not earned the minimum income. Then as I read the bill, you would have to deduct this tax every time you pay a doctor. Subsection 16 reads:

"Employee" shall for the purposes of this section include any person who receives as income any salary, wage, remuneration, compensation, hire, emolument, stipend, perquisite, or any similar payment or any indemnity, pension or director's fee, howsoever paid for any services, functions or duties rendered or performed in Canada.

Obviously that is intended to cover a doctor. Surely we shall not have to deduct this tax every time we pay a doctor and remit it to the government. Presumably the same thing would apply to a lawyer's fee or to a soldier's pension paid for disabilities received in the last war. Surely something should be done to make this tax more workable than it is in its present form.

Mr. ILSLEY: I think the provisions of the bill are perfectly workable, except in a very small number of cases. I think those are the cases hon. gentlemen are dwelling upon. We could not introduce an amendment to the effect that where an employer knows, thinks he knows or is satisfied that an employee is not going to earn $600 in the next year, he need not deduct the tax. That is the contention being put forward by a number of hon. gentlemen opposite. They say that there are a number of cases where the employer knows that the employee will not earn $600. Do they think I would be justified in sponsoring an amendment in those words? There would be thousands of employers refusing to deduct the tax because they believed their employees were not going to earn the necessary amount. That is not a suggestion which will lead to any practical result. A great deal of thought has been given to this matter. Day after day the officials of the department and the former minister went over this to see if there was any method of getting away from the necessity for these refunds. The more the matter was examined, the more it was apparent that glaring injustices and discrimination would arise if it was not done in this way. The employers will have to get the tax from the people who ought to pay it. Those who have not earned the requisite income will get the tax back at the end of the year. There will be a great deal of trouble, but in the end we shall have accomplished what we set out to accomplish; we shall have a non-discriminatory tax.

Mr. GREEN: Will the minister answer my question with regard to medical and legal fees and soldiers' pensions?

Mr. ILSLEY: A doctor works on a contractual basis with his patient, and I do not think he would be covered by the words of this section; it certainly was not intended that he should be. It is not expected that a patient will deduct two per cent from a doctor's bill.

Mr. GREEN: Read the section.

Mr. ILSLEY: Pensions are subject to income tax and will be subject to this national defence tax. Hundreds of thousands of pensions are paid to civil servants and others, and all of these will be subject to the national defence tax. There is no doubt as to what the section means.

Mr. HATFIELD: Will the farmer have to keep a set of books and fill in these forms when he deducts the tax from the wages of his employee and sends it to Ottawa? Will he have to pay the cost of the money order? Will the employee have to make a request for the return of the money?

Mr. ILSLEY: He will be required to remit the tax, but not to keep a set of books.

Mr. FAIR: I do not believe I could point to one farm labourer in my constituency who is earning $600 a year. I cannot see any sense whatever in this tax and I am asking the minister to reconsider it. Not two per cent of the men in my constituency are employed during the whole year. They get two or three months' work in the spring, possibly a month at harvest time and a few weeks throughout the rest of the year. Apart from that they are more or less unemployed or receiving only small wages.

Mr. ROSS (Souris): That applies right across the prairies.

Mr. TUSTIN: A man is going round doing a few days' work here and a few days' work there, and earning at the rate of over $1,200 a year. If he is a married man has he to carry his marriage licence around with him to prove he is married, and has he to make out one of these forms and give it to every one of his employers?

Mr. ILSLEY: He has to make out one of the forms.

Mr. MacNICOL: I should like to ask a question, and I hope the minister will not think it is too small a matter. Take the case of a janitor who attends to furnaces and cuts the lawn. Let us call him a janitor. One such janitor I know gets paid at the rate of $180 a year, on the basis of $15 a month from one householder, but how many more people he is doing this service for, I do not know. In paying that janitor his $15 a month, has the two per cent to be deducted?

Mr. ILSLEY: Yes, if the rate of pay is $50 a month.

Mr. MacNICOL: No, fifteen dollars a month. He may be working for a dozen other people, cutting their lawns and attending to their furnaces; I do not know.

Mr. ILSLEY: The measure might be difficult to apply, but the correct answer I think is this. If the $15 that he is being paid covers a length of time such that his pay will amount to over $600 a year the tax must be deducted.

Mr. MacNICOL: I have just said that I do not know how many other people he works for, but I do know that he gets $15 a month from one householder. He cuts the grass and looks after the furnace in the winter. He may have two or three or four or five other customers, but from one householder I know he gets $15 a month. Does that householder have to deduct two per cent monthly from the $15 a month that he gives him, and if so, has the janitor to carry round with him forms to be filled out? How is the tax to be deducted and sent to Ottawa, and how is it reckoned?

Mr. ILSLEY: It is very difficult to know what to do in that case, but the right thing to do would be for the employer to make an estimate of how much time is covered by the payment of $15 a month, and if that works out at a rate of over $600 a year a deduction should be made for the tax. That is the correct thing for the employer to do in that case.

Mr. FURNISS: Take the case of a farmer with a hired man receiving pay and board. Would a certain allowance be made for the board? Would the board be considered part of the man's wages, or in calculating the tax would the employer just consider what the man actually received in cash?

Mr. ILSLEY: His board is part of his income.

[Mr. Tustin.]

Mr. FURNISS: At what rate would it be calculated?

Mr. ILSLEY: At a fair rate.

Mr. FAIR: I did not catch what the minister said was a fair rate for board.

Mr. ILSLEY: The board is part of the man's income and must be allowed at a fair rate.

Mr. FAIR: I was wondering just how much is allowed for board, whether it is $10 or $50 or $60 a month or $20 a day. I do not know how to figure it and I should like to know.

Mr. ILSLEY: The Department of Labour will be asked to give as a general guide the value of board in the various provinces across Canada.

Mr. FAIR: I believe the department now allows the farmer in calculating his income tax to deduct $15 a month for his farm help. Will that figure also apply in calculating the hired man's wages?

Mr. ILSLEY: Would the hon. gentleman repeat his question? My attention was diverted for a moment.

Mr. FAIR: I am trying to find out what the government will allow as a fair amount for a man's board. Will it be $15 a month or $20 a day or $10 a month? I suggested the figure of $15 a month because that is all the farmer is allowed when computing his own income tax, so I think the same amount should apply in calculating the national defence tax.

Mr. ILSLEY: This is a matter for the national revenue department, but if the national revenue department will not allow more than $15 a month as a deduction for income tax purposes I should say the farmer must take the same figure in calculating the income of the employee. But it is a matter for the Department of National Revenue.

Mr. BERCOVITCH: I have a very simple question to ask the minister. I am accustomed to giving a waiter in the Chateau Laurier a tip after my dinner. Say it is twenty-five cents. Do I have to deduct anything for the national defence tax?

Mr. ILSLEY: The answer is no.

Mr. MacNICOL: The waiter would be making a little more than the janitor I spoke of a few moments ago.

Mr. GREEN: A little earlier in the evening the minister said that the income tax staff would be increased by 500.

Mr. ILSLEY: Or more.

Mr. GREEN: How many are there on the staff at the moment, and how many of the increased staff will be located in Ottawa?

Mr. ILSLEY: There are about 1,250 on the staff all across Canada. I do not know how many of the 500 will be required in Ottawa, but I think it would be a small proportion.

Mr. ESLING: In calculating the tax does it not all come down to this? If you pay a man $10 or $20 or $50 for doing some temporary work you deduct the two or three per cent for the tax? Then, of course, he complains about it, and you simply leave it up to him to ask for a refund from the department if he feels he is being improperly taxed. The employer cannot be supposed to know whether a temporary employee doing a few days' work for him is earning $600 a year. In other words, therefore, the employer is simply responsible for deducting the two or three per cent as the case may be from any man or woman to whom he pays $25 for doing some temporary work, and then it is up to the man or woman to seek a refund at the end of the year. Is that not the situation?

Mr. ILSLEY: Not quite. There will be cases where the employer knows very well that the man he is paying is working at a lower rate than $600 a year, and in that event he does not have to deduct the tax.

Mr. ESLING: The employer is to be the judge, and he is exempt from all responsibility if his judgment is that the employee is earning $600 a year?

Mr. HATFIELD: What about a farmer who hires a man to pick apples at so much a barrel, or potatoes?

Mr. ILSLEY: I am glad the hon. gentleman asked me something about apples because I am right on my own ground there. If apple pickers are employed at so much a barrel, the farmer knows at the end of the week how much it has cost him to pick those apples, and if the weekly amount earned is at the rate of more than $600 a year he has to make the deduction.

Mr. ESLING: Is it really the intention that the employer shall assume the responsibility of determining whether that man is likely to earn $600?

Mr. ILSLEY: No. He assumes the responsibility of determining whether, when the employee works for him, he is earning at the rate of $600 a year. He cannot assume any responsibility beyond that. He does not know whether it is a temporary job, or whether the employee will get work after he leaves him. It is not his responsibility to judge whether the employee will earn during the whole year $600, but he is responsible for deciding whether, while he is working for him, he is working at a rate of more than $600 a year.

Mr. MacNICOL: I may be out of order on this question. On Saturday a gentleman received a cheque for $75 from a United States company. Is the five per cent to be taken off that sum? He receives a cheque for this amount four times a year. I was under the impression that anyone receiving money from the United States by way of income is required to deduct five per cent.

Mr. ILSLEY: The company remitting from the United States deducts in that case five per cent for the revenue of that country.

Mr. MacNICOL: Then the tax on income received from the United States has not to be paid by the recipient here until his annual income tax comes to be paid?

Mr. ILSLEY: That is right.

Mr. ESLING: In making our returns for the year 1940, does the tax which applied prior to the bringing down of the budget apply for the first six months, and the new tax for the second six months? In other words, do we make two returns, one covering each half-year.

Mr. ILSLEY: The two per cent applies to half the income for the year 1940.

Mr. ESLING: I was speaking of the general tax, the income tax. Under the new budget there is quite a difference between the old tax and the new tax. Does the old tax apply to the first six months and the new tax to the second six months? If so, that would involve two returns, would it not?

Mr. ILSLEY: The new rates apply to the whole year.

Mr. HATFIELD: Is there any age limit in respect of this tax? In my constituency there are school children who will earn for a few days at the rate of $600 a year. They may be ten years old; they are picking potatoes at so much a barrel. Should we deduct from a ten-year old boy's income two per cent or three per cent?

Mr. ILSLEY: I do not know about that.

Mr. MacNICOL: It is going to be a headache for the department.

Mr. ILSLEY: Does the hon. gentleman employ children and pay them at the rate of $600 a year or more?

Mr. HATFIELD: Many farmers in my constituency employ school children during their holidays to pick potatoes. They earn at the rate of over $600 a year for a few days, probably for two weeks, during the harvest season.

Mr. BROOKS: Would not the fact that they were school children indicate to the employer that they were not earning over $600 a year? Would it not be obvious from the fact that they were of school age?

Mr. ILSLEY: I should think so, yes. I would not like to waive any of the provisions of the measure in advance, but there is reason in all things, and if these were children, working in the summer only, it would seem that some little latitude would be allowed. That is all I can say.

Mr. KINLEY: Would not the income belong to their father, and would it not affect his income tax?

Mr. JOHNSTON (Bow River): When you compute your general income tax do you first deduct the defence of Canada tax?

Mr. ILSLEY: No.

Mr. JOHNSTON (Bow River): Otherwise you are paying a double tax—a tax on a tax.

Mr. ILSLEY: You are paying two taxes on the same income.

Section agreed to.

Section 27 agreed to.

Bill reported, read the third time and passed.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

Tuesday, July 23, 1940

The house met at three o'clock.

REPORTS OF COMMITTEES

PRINTING OF PARLIAMENT—MOTION FOR CONCURRENCE IN FIRST REPORT

Mr. VINCENT DUPUIS (Chambly-Rouville) moved that the first report of the joint committee of both houses on the printing of parliament be concurred in.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, I confess that as yet I have not been able to go through this list of documents. I am going to ask the hon. member to allow this motion to stand until to-morrow, and I promise that then we will be able to indicate just what documents we think should be printed. I should be greatly obliged if the hon. member would be good enough to do that, and I shall not delay it beyond that time.

Motion stands.

RAILWAYS AND SHIPPING—MOTION FOR CONCURRENCE IN THIRD REPORT

Mr. J. P. HOWDEN (St. Boniface) presented the third report of the standing committee on railways and shipping owned, operated and controlled by the government, and moved that the report be concurred in.

Mr. HANSON (York-Sunbury): This motion should not be rushed through to-day. Under the rules should we not have some notice? We have not seen the report; we have heard it now for the first time. The motion is out of order.

Mr. MACKENZIE KING: To-morrow.

Motion stands.

NATIONAL WAR SERVICES

TRANSFER TO NEW DEPARTMENT OF DUTIES OF DIRECTOR OF PUBLIC INFORMATION

Hon. J. G. GARDINER (Minister of National War Services): Mr. Speaker, I desire to lay on the table of the house P.C. 3333, authorized under the national war services legislation.

Mr. HANSON (York-Sunbury): Relating to what?

Mr. GARDINER: This order in council transfers the public information bureau to the new department.

MOBILIZATION

REGULATIONS TO BE TABLED PRIOR TO PROROGATION

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, yesterday the leader of the opposition (Mr. Hanson) asked me about regulations to be issued under the National Resources Mobilization Act, with reference to the terms under which men are to be drafted for service in the defence of Canada.

These regulations will be issued in part by the Minister of National War Services and in part by the Department of National Defence. They have necessitated conferences between the ministers and officials of the two departments, and I can assure my hon. friend that the regulations will be in shape to be tabled before prorogation.

Mr. HANSON (York-Sunbury): Thank you.

MUNITIONS AND SUPPLY

PROPOSED CONSTRUCTION OF TWELVE MUNITIONS PLANTS—QUESTION OF REGIONAL ALLOCATION

On the orders of the day:

Hon. R. B. HANSON (Leader of the Opposition): I desire to ask a question of the Minister of Munitions and Supply (Mr. Howe).

The press of Canada yesterday carried a report of an announcement made on Monday last by the minister of munitions of the immediate construction of twelve munitions plants at a total cost of approximately $19,000,000. I make no observation with respect to the place of announcement. I think it is the sort of thing which ought to be done in parliament. I have consistently maintained that such announcements should first be made here.

The report indicates that the largest of these plants will be located "somewhere in western Canada", where existing facilities are being extended to produce a large tonnage of ammonia and ammonium nitrate. It is further indicated that some of these expenditures are for the account of the British government. Nowhere in the statement is it indicated that any one of these plants will be located in the maritime provinces.

I hope I am not sectional in my outlook. I have tried to avoid anything of the sort, but the people of the maritimes, and in particular the people of my own province, are beginning to think and to give expression to the view that the government in establishing new projects of the kind indicated is entirely overlooking the maritime provinces.

May I ask the minister if any of the proposed new plants are to be established in the maritimes, and if so, which and at what points? As a substantial portion of the products of these new plants must necessarily be for export to the United Kingdom, it would appear to me to be of advantage, especially with respect to transportation, if some of these plants were to be established near tidewater in these Atlantic coast provinces. If some consideration is not given to this point of view, there will be continued dissatisfaction down there when unemployment is acute, especially in the city of Saint John.

Hon. C. D. HOWE (Minister of Munitions and Supply): Mr. Speaker, I would first beg to differ from my hon. friend the leader of the opposition (Mr. Hanson) as to the place of making announcements from the Department of Munitions and Supply. The announcement in question was made by the publicity staff of the department. I did not see it prior to its being made. It was made in the ordinary course of routine.

We have undertaken in the Department of Munitions and Supply to conduct the purchasing of war supplies free from political pressure; and that means pressure from any group or any province, just as much as it means pressure from any particular manufacturer to obtain preference. Due regard has been had to distributing the work as well as possible across Canada. Whether or not that is possible depends upon the location of raw materials involved, transportation costs to delivery points, and available supplies of labour.

The item to which the hon. member has referred mentions the location of a plant in western Canada. This plant was located where it was purely for the reason that in western Canada we have natural gas, a wasting asset, which to a great extent may be used to replace coke from the United States in the production of the particular type of product to be developed by this plant.

Locations of all plants have been determined only on the basis of economy. Part of the production programme—not necessarily the particular programme to which the hon. gentleman has referred—is being located in the maritime provinces. Again it is being located there for reasons which would appeal from a business rather than a sectional point of view.

I think the province of New Brunswick is working very close to capacity. We are trying to step up production of some industries in that province, and we should be very glad indeed if we could step those industries up to the amount of material we require. We are investigating the possibility of other types of production there. I would point out to the leader of the opposition that we are just as anxious as he is to use all the industrial facilities of New Brunswick, but so far we have not seen our way clear to locate a plant at any point where the cost of production would not be economically sound from the point of view of all parts of Canada.

Mr. COLDWELL: Are these plants to be operated under public ownership and control, or is the work to be let out on a cost plus basis?

Mr. HOWE: The policy has been for the federal government to retain ownership where a new plant is required. Where the operation of a plant requires a degree of technical skill and the operation is such that it can be conducted under government auspices, it is done in that way; but on certain occasions we have entered into a management contract with a firm specializing in the particular type of production, and the plant has been so operated.

FARMERS' CREDITORS

APPEAL FROM DECISION OF SASKATCHEWAN COURT OF APPEAL RESPECTING AUTHORITY OF BOARD OF REVIEW

On the orders of the day:

Mr. R. T. GRAHAM (Swift Current): Mr. Speaker, would the Minister of Finance (Mr. Ilsley) state whether the government has taken any steps to appeal the decision of the court of appeal of the province of Saskatchewan in the Berg case, which dealt with the authority of the board of review under the Farmers' Creditors Arrangement Act?

Hon. J. L. ILSLEY (Minister of Finance): I am informed that an appeal has been taken from that decision to the Supreme Court of Canada.

DOMINION ELECTIONS

QUESTION OF TAKING SOLDIER VOTE IN FORTHCOMING BY-ELECTIONS

On the orders of the day:

Hon. C. G. POWER (Minister of National Defence for Air): Mr. Speaker, yesterday on the orders of the day the leader of the opposition (Mr. Hanson) asked what provisions were being made to extend the franchise to soldiers, now under active service conditions, who are electors of the constituencies in which by-elections are about to be held.

Two questions are involved, the first being the right of a member of the Canadian active service force or the armed forces of the dominion to vote. There is no question whatsoever that he has a right to vote. This will be seen to be covered by section 16, subparagraph 4, of the Dominion Elections Act, which reads:

> Any person on active service with the naval, military or air forces of Canada shall be deemed to continue to ordinarily reside in the polling division in which he was ordinarily resident at the time of enrolment for such active service, unless he has thereafter established some other ordinary residence in Canada.

In view of this provision any person now on active service, who was ordinarily resident at the time of his enrolment and is still ordinarily resident in an electoral district in which a by-election has been ordered, is entitled to have his name entered on the list of electors and to vote at such by-election.

The real point raised by my hon. friend was whether it was possible or practicable to take any steps to provide facilities for this soldier to poll his vote if he has a right to vote. On consultation with the office of the chief electoral officer I found that it was impossible in practice and utterly impracticable to endeavour to provide a soldier in Greenland, Iceland, the old country or at some point across Canada with facilities to exercise his right to the franchise. Hon. members of the house and you, Mr. Speaker, know that the regulations drawn up to provide for the taking of the vote of soldiers in Canada and overseas were somewhat complicated. The work required the services of a fairly large personnel and the attention of members of the naval, military and air forces. I suggest to my hon. friend and to hon. members that the men in our military services are occupied with other things at the present time and it would be extremely difficult to take them away from their work in order to set up the machinery necessary to provide for the taking of what after all would be a small number of votes when compared to the large number of men in the expeditionary forces, at home and abroad.

Hon. R. B. HANSON (Leader of the Opposition): That answer is hardly good enough.

Mr. POWER: Too bad.

Mr. HANSON (York-Sunbury): The minister as yet has not given a real reason why this vote should not be taken. The gist of the matter is that the government are so anxious to get on with these by-elections that they are not willing to extend the time between the issuing of the writs and the actual polling, nor are they willing to expend the money necessary to get these votes. This could be done if there was the will to do it.

Mr. POWER: The answer I make to my hon. friend is that if he wants to play politics, he can do it. Hon. members know that the military regulations governing the taking of the last military vote were the best ever enacted in Canada.

Mr. HANSON (York-Sunbury): I never denied that.

Mr. POWER: They gave the right to a free and untrammelled exercise of the franchise by every soldier. Those who prepared those regulations have come to the conclusion that it would be utterly impracticable to ask the officers of our armed forces in the West Indies, in Iceland, in the United Kingdom and throughout Canada to set up polling booths in each unit at all points where Canadian soldiers, sailors or airmen are now stationed or operating, on the chance there would be someone there entitled to vote at Saskatoon or Kingston or the two other constituencies in which by-elections are to be held.

Right Hon. W. L. MACKENZIE KING (Prime Minister): May I just say a word to my hon. friend about the government's alleged anxiety to have these by-elections over speedily. The criticism which has been directed against the government from many sources has been that we have delayed the bringing on of the by-elections, the vacancies having occurred in most of the constituencies a couple of months ago. Further, if we had been anxious to hasten the by-elections in any way, we could have brought in a special amendment to cover the holding of a by-election in war time.

DAIRYING INDUSTRY

GRANTS FOR INSULATING, ENLARGING, REFRIGERATING AND EQUIPMENT OF CHEESE FACTORIES

Hon. J. G. GARDINER (Minister of Agriculture) moved the third reading of Bill No. 89, to amend the Cheese and Cheese Factory Improvement Act.

Motion agreed to and bill read the third time and passed.

SPECIAL WAR REVENUE ACT

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill 103, to amend the Special War Revenue Act.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Vien in the chair.

On section 1—Taxes on matches.

Mr. HANSON (York-Sunbury): What revenue is derived to-day from this tax, and what increase is expected?

Mr. ILSLEY: The revenue for the fiscal year 1939-40 was $2,040,726.55. It is expected that the increased tax will provide an additional $500,000 revenue in a full year.

Section agreed to.

Section 2 agreed to.

On section 3—Excise tax on cigarette paper tubes made in or imported into Canada.

Mr. HANSON (York-Sunbury): The increase here is very large. What is the revenue now, and what increased revenue is expected?

Mr. ILSLEY: The revenue for 1939-40 on paper tubes was $1,877,985.27. It is expected that the revenue will be increased by this change to about $4,500,000.

Section agreed to.

Sections 4 and 5 agreed to.

On section 6—By whom and when tax is payable.

Mr. HANSON (York-Sunbury) According to the press, the minister has had written representations made to him with respect to the tax on the higher priced cars. What is the reaction of the department?

Mr. ILSLEY: The automobile dealers, through their associations, have made two sets of representations. They have really made more than that, but their representations have pretty well crystallized into two sets. One class of representations is that there should be no tax on the cars in dealers' hands.

Mr. MacNICOL: Or in transit.

Mr. ILSLEY: That is a minor thing.

Mr. MacNICOL: They seemed to consider it a big thing yesterday.

Mr. ILSLEY: The representations that I have received have been, generally speaking, under the heading that there should be no tax on cars in dealers' hands. This section is very much more lenient towards the dealers in any but the lowest priced cars than the original budget provision, which imposed high rates on the cars in the dealers' hands. Consideration was given to the question whether there should be some amelioration of these burdens, and it was decided that this was as far as the government ought to go, and that it was substantially just that there should be a flat rate of ten per cent on all cars whether high or low priced, in the dealers' hands.

The reason for making a concession to dealers in the higher priced cars is that undoubtedly the very high taxes imposed on the higher priced cars provided for in the budget will hurt the sale of these cars very much. Moreover, in the future the taxes will reduce the business done by the dealers in high priced cars to a very low ebb, and in some cases practically to the vanishing point. It was therefore thought that the dealers in the higher priced cars should be given this degree of consideration, although the budget by imposing these taxes really in one sense adds very considerably to the value of the high priced cars in the dealers' hands.

Mr. HANSON (York-Sunbury): In a very limited sense, I suggest.

Mr. ILSLEY: Not so very limited. There will be a market for high priced cars.

Mr. HANSON (York-Sunbury): A very narrow one.

Mr. ILSLEY: It was thought in view of the considerations I have indicated that the tax should be reduced to a flat ten per cent.

The other class of representations is that the highest rates are entirely too high; that we should not move at all into these high rates of taxation such as 80 per cent of the excess over $1,200, and that we should be more considerate of the automobile business. To these our answer has been and must be that while this is serious taxation and will have a serious effect upon the dealers in high priced cars, the emergency is a grave emergency, and we are being asked to place our taxes on luxuries, particularly imported luxuries, for the purpose of conserving exchange. Members from all parts of the house have urged us to do that instead of imposing some of the taxation that we have imposed. At the present time there cannot be very much excuse for encouraging the use of high-priced cars, particularly imported cars, by the people of this country.

Mr. HANSON (York-Sunbury): I agree with a good deal of what the minister has said, but there is a law of diminishing returns and I am afraid that he may not get any revenue at all. The market for high priced cars even in good times is a narrow one, and this new taxation will wipe it out altogether, I should think, especially in the smaller communities. The minister I presume has given consideration to the effect this taxation will have on the fortunes of a substantial element of our community. It is going to put a lot of them out of business. They are even now reduced to the status of second-hand dealers. That is the effect of this legislation.

Mr. GREEN: The minister mentioned something about cars in transit. Apparently recommendations have been made to him along that line also. I know that in British Columbia it is a serious matter for dealers who have cars on order and in transit, and I would suggest that they also be taxed at the rate of ten per cent where it can be shown that the cars were actually in transit at the time the budget provision was brought down. The more distant parts of the country, those furthest removed from manufacturing plants, are entitled to receive that consideration.

Mr. ILSLEY: I do not like to reopen this whole question if it is not necessary. A great deal of time was devoted to it when we were in committee of ways and means. I went over the law that applies and dealt with representations such as these just as fully as I was able to do at that time, and I have not anything to add now to what I said then.

Mr. HANSON (York-Sunbury): But there is a principle involved.

[Mr. Ilsley.]

Mr. GREEN: I think some of the dealers in British Columbia did not understand the situation at that time because many representations have come in since. I do not think it is fair that the tax should be levied at the higher rate in cases where men have cars in transit. They should be given the advantage of the ten per cent tax.

Mr. HANSON (York-Sunbury): The principle involved is this. The minister has given consideration to the dealers in high priced cars, but the dealer who for geographical reasons was not able to get delivery of his car, even a car in the lower priced brackets, gets no consideration. That is discrimination, absolutely.

Mr. ILSLEY: The dealer in the lower priced cars pays only ten per cent anyway.

Mr. HANSON (York-Sunbury): I know, but he did not get delivery of this car. Perhaps I am not making my point clear, but there it is.

Mr. MacNICOL: When I referred a moment ago to cars in transit I had in mind the item in this morning's paper that it had been represented to the minister yesterday or to someone delegated by him, that consideration should be given to cars in transit. According to the newspapers the dealers stated that they considered cars in transit as being on their showroom floor.

Mr. ILSLEY: I went very fully into that question, Mr. Chairman, in committee of ways and means, and I am sorry if I did not make it clear. I know it is pretty intricate. But cars which are sold f.o.b. shipping point are in the same position when in transit as if they were on the showroom floor; when sold with documents attached they are deemed to be in the same position as if they were on the factory floor. I cannot make it any clearer.

Section agreed to.

Section 7 agreed to.

On section 8—Remission of tax when goods are imported by sugar refiners.

Mr. HARRIS (Danforth): This follows the principle laid down in section 5. How much sugar is affected, or, what is the value of the sugar affected; and what is the difference between the delivered price by such refinery and the selling price.

Mr. ILSLEY: This section is not changed at all, except that delivery to the purchaser is taken as the moment when he takes the goods—

Mr. HANSON (York-Sunbury): That is right. It is on page 4.

Mr. ILSLEY: —instead of when the sale is made. That is the general principle in the act ,anyway, but there was this section in which the idea appeared of time of sale, rather than the delivery to the purchaser, being the important time. This is being changed to bring it into harmony with the general scheme of the act.

Mr. HANSON (York-Sunbury): The effect of this is that the refiner does not have to pay until he sells?

Mr. ILSLEY: That is right.

Mr. HANSON (York-Sunbury): Now he is paying on the sale, and he is adding it to the invoice price to the confectioner or whoever it may be. Heretofore he has had to pay when it came in or when he took it out of bond; is not that right? The tax shall not be payable when the goods are—

—imported or bought in bond in Canada by recognized sugar refiners for further manufacture.

I suppose the refiners are the only people to whom that would refer.

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): Has that been done at the request of the refiners, or is it a departmental request?

Mr. ILSLEY: It is a departmental request.

Mr. HANSON (York-Sunbury): It is only for the purpose of bringing the method in line with the other sections?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): Very good. Will there be any difference as to the amount of revenue received?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): Nothing more than that is implied in the section?

Mr. ILSLEY: That is all.

Mr. HARRIS (Danforth): Were not representations made to the department with regard to this item?

Mr. ILSLEY: No.

Mr. HARRIS (Danforth): What is the annual value of the sugar to which this item relates?

Mr. ILSLEY: The hon. gentleman wants the total sugar tax? I have it here.

Mr. HANSON (York-Sunbury): That would give us approximately the number of pounds.

Mr. ILSLEY: The total sugar tax for 1939-40 was $12,084,484.92.

Mr. HANSON (York-Sunbury): The consumption is going up; is that right?

Mr. ILSLEY: Yes. In the previous year it was $10,797,453.42.

Mr. HANSON (York-Sunbury): Would it be permissible at this point to ask the minister anything about sugar prices in Canada? We have a sugar controller in the person of Mr. S. R. Noble of Montreal, who is an old friend of mine from Fredericton. He is in control of the sugar situation, and arrangements have been made, with the British government, I believe, for an adequate supply of sugar—I refer now not to beet but to cane sugar—for Canada. The price to the importing refiners has been fixed by the British government, I assume after negotiations through the sugar controller with the refineries. I was told recently that on the last occasion upon which the price was fixed the refiners were allowed an extra profit of 35 cents per hundred pounds, which has been passed along to the consumer and which is in addition to the profits they previously had. I should like to know if there is any truth in that report. I do not affirm it, allege it, or deny it. I want information on the subject. If it is true, I should like to know what the justification has been.

Mr. ILSLEY: I have no information for the hon. gentleman.

Mr. HANSON (York-Sunbury): Where can I get the information?

Mr. ILSLEY: It can be obtained from the war-time prices and trade board.

Mr. HANSON (York-Sunbury): So far as I am concerned they are practically nonexistent. I have to get my information here. At what stage of the estimates can I get it?

Mr. ILSLEY: On the estimates of the Minister of Labour.

Mr. HANSON (York-Sunbury): All right.

Mr. COLDWELL: I want to support the leader of the opposition in asking for this information. I have been doing a little study on the sugar situation; and I submit that at the appropriate time information should be brought to this house as to why, having regard to the stocks of sugar at present in the country and the prices which are fixed by the British board, the price of sugar went up 35 cents a hundred wholesale and one cent a pound in the local stores early in May. I have been waiting for a suitable opportunity

to raise this whole question, and I support the leader of the opposition in asking that when the time comes the minister in charge be prepared to answer some of these questions.

The CHAIRMAN: I want to point out to hon. gentlemen that there is no relation between the questions he has put and the clause under study. I did not wish to prevent the questions being put by way of notice to the minister.

Mr. HANSON (York-Sunbury): There is a certain relevancy; I do not say how near or how remote it is. This section changes the method of the tax. Surely under that one can discuss the price of sugar.

Mr. HARRIS (Danforth): Practically all this duty, referring to the remission of tax when goods are imported by sugar refiners, is specific, I assume. Is there any ad valorem tax?

Mr. ILSLEY: No.

Mr. HARRIS (Danforth): It is all specific?

Mr. HANSON (York-Sunbury): The tax is one cent a pound.

Mr. HARRIS (Danforth): There is no ad valorem tax on sugar from any country; that is quite clear?

Mr. ILSLEY: There is a specific customs tariff on sugar.

Mr. HANSON (York-Sunbury): What is the rate?

Mr. ILSLEY: There is a big range, depending on the polariscopic test.

Mr. HARRIS (Danforth): Is there any war exchange tax on any of the imports; and if so, how much is it?

Mr. ILSLEY: The war exchange tax will apply to imported sugar.

Mr. HARRIS (Danforth): Not to sugar imported from British countries?

Mr. ILSLEY: No.

Mr. HARRIS (Danforth): What proportion of the imports is from British countries and what proportion is subject to the tax?

Mr. ILSLEY: Nearly all the raw sugar comes in from British countries, mainly from the British West Indies; but there have been small imports from San Domingo.

Mr. HANSON (York-Sunbury): But you do not expect any revenue from that, under this heading? The ten per cent will shut out, surely, any San Domingo sugar?

Mr. ILSLEY: Oh, I don't know.

[Mr. Coldwell.]

Mr. HARRIS (Danforth): There will be no remission of the war exchange tax?

Mr. ILSLEY: No.

Section agreed to.

On section 9—"Automobile dealer" defined.

Mr. HANSON (York-Sunbury): What is that? This is new. It is not in the resolution. One robin makes a summer—is that the idea?

Mr. ILSLEY: The section serves two purposes: (a) it is explanatory, in that it defines a distributor or a wholesaler as an automobile dealer; and (b) it imposes a tax on manufacturers who import certain models and on other manufacturers who import all models for sale to their dealer organization. But for this section, cars in the hands of such persons on June 25 would not be taxed under the new rates. It relates to imported cars.

Mr. HANSON (York-Sunbury): It is definite here. It says any automobile.

Section agreed to.

On section 10—Tax on furs dressed or dyed.

Mr. BROOKS: It is unfortunate that there should be such an increase in the tax on furs. The industry has been very hard hit in the last few years, and particularly since the outbreak of war. No doubt furs are to a great extent a luxury, but all over Canada there have been quite extensive fur farms, fox farms and others, and an increase of from 8 to 12 per cent will have a further detrimental effect on this important industry. Frankly, I think that instead of being further handicapped the industry should be encouraged. In the maritime provinces there are a great many fox farms but they are being gradually driven out of business. This is another step in that direction. Do furs coming in from the United States still enter free and are our furs dutiable when exported to that country?

Mr. ILSLEY: I shall have to get that information. It was not the purpose of this provision to tax the production of furs; it is simply to equalize the taxation on fur coats with the taxation on cloth coats.

Mr. HANSON (York-Sunbury): That may be a proper thing to do, but I can bear out the hon. member for Royal. The fur business in eastern Canada, I know, is gradually disappearing. I know that, because I have been a stockholder in some of these ranches and in one ranch we got back five per cent of the capital invested when we liquidated. That is a small return, especially when I cannot charge up the 95 per cent to my income tax

inasmuch as it is a loss of capital. The increase in the tax from eight to twelve per cent will have a detrimental effect on the fur ranches in the maritimes. The prices now are almost below the cost of production having regard to the mortality, which is very great especially in the season when the animals are being born. Has the minister had any representations from the association? The industry is being gradually put out of business, and it is an important one in Prince Edward Island and in certain parts of New Brunswick. Most ranches are disappearing because of the low price, and this is just another nail in their coffin.

Mr. ILSLEY: There have been no representations.

Section agreed to.

On section 11—War exchange tax.

Mr. FAIR: Has the minister considered the representations made when this matter was discussed a few days ago in connection with the exemption of agricultural implements?

Mr. ILSLEY: Naturally I have taken the matter into consideration. I listened carefully to a great number of speeches on it. The grave difficulty, however, about making a single exception to the tax is that then one has to make a large number of exceptions. The only reason this ten per cent war exchange tax is borne without great protest from a large number of persons and interests in various parts of Canada is its universality. I have received representations and delegations asking that exceptions be made for the particular goods in which they are interested and the only answer I can give is that it is universal; there are no commercial exceptions whatever. The three or four exceptions here are entirely non-commercial, and if we started to make exceptions in favour of any particular commodity which has a commercial or business or industrial importance, it would be impossible to withstand requests that other persons be treated on the same footing, and one would be led to a breakdown of the tax on quite a wide scale.

I will not attempt to answer the arguments that have been advanced in this house during the course of two days from all parties, but this tax is not discriminatory at all, so far as agricultural implements are concerned. It applies to agricultural implements imported by people in every part of Canada and the importers of such implements are treated like the importers of everything else. It has been represented that important raw materials which must come from the United States should clearly, by all the rules of taxation, be exempted from the application of the tax. If we exempted agricultural implements from the ten per cent tax it would be necessary to make an exception of fertilizer, which is used in such quantities in eastern Canada and on which so many farmers depend—and they depend upon imported fertilizers to a great extent. I am sure I do not know where we should have to stop. If we depart from the principle that this is a universal tax without commercial exception we shall find ourselves in an impossible situation in this house, because member after member will say, "If you do it for that one you must do it for us".

Mr. HANSON (York-Sunbury): But there is a great exception to the principle of universality. The exception is contained in 2(a) of 88A, which refers to entries under the British preferential tariff or under trade agreements between Canada and other British countries. We are going to allow vegetable oils to come in from some of the British crown colonies without any taxation. That of course is a glaring illustration of the exception, to the detriment of Canadian agriculture and the Canadian cow, but it can be remedied if the government will enter into negotiations with the British government. If the government would represent to the British authorities that they need revenue and that there are 260,000,000 pounds of this commodity coming into Canada free, and if there was a favourable report from the tariff board on the question, recommending a change, then the government would have a fine argument to put up to the British government to change that item in the United Kingdom agreement. I have read the agreement since speaking on this subject in the house on a recent occasion, and it visualizes just this sort of thing. When the trade agreement was first entered into this was an unimportant item. To-day the importations have increased to huge proportions, far beyond what anyone had imagined. If it had ever been contemplated that we should be importing such quantities of vegetable oils into Canada, an agricultural, a butter-producing country, we should never have agreed to it. I am sure those representing agricultural constituencies will agree with me. The government ought to do something about it. It is a crying evil that we should not at least get some revenue out of it, to put it on the lowest possible plane. The government has been derelict in its duty to the Canadian producer if it has not been seized of the importance of this matter; though I am sure they have been seized of it. Any department that would send this reference to the Department of Finance, ask for an investigation and then deliberately discard the results of that

investigation, putting up the plea that it is against the provisions of the United Kingdom agreement, certainly is not looking after our primary producers. I am still a believer in Canada first.

Mr. ILSLEY: This is not the time for that, as against Great Britain.

Mr. HANSON (York-Sunbury): It is not against Great Britain; it is against one of the crown colonies which was in a bad financial situation. I know the argument that was advanced by the British authorities; they wanted to help out some of the crown colonies. They did not make any special reference to the fact that most of the refining was done in Great Britain and that they got the by-products. Of course we know they are keen traders in peace time, and this was an advantage not to the British government but to the British commercial world. But this has gone beyond a joke. It is an absolute detriment to the Canadian farmer, and it should not continue. The government will hear about this between now and the next election once the Canadian farmer realizes the situation and the supineness of the government in respect to it. I know there are difficulties, but difficulties may be overcome by negotiation. I believe that if we were to approach the British government now, under existing conditions, we would be met sympathetically and some remedy could be found. It can be done if there is the will to do it.

Mr. ILSLEY: These vegetable oils, in so far as they come from British sources, come from the sterling area, and they improve the exchange position of Great Britain. When we approached Great Britain a year or two ago, I think in the spring of 1939, they declined to agree to a modification—

Mr. HARRIS (Danforth): They left it open. The British government declined but asked if some other method of approaching the problem could not be arrived at in order to meet agricultural conditions in this country. It was not entirely turned down.

Mr. ILSLEY: In effect it was a turn-down. If I remember correctly the British government made it very clear that they would not agree to a waiver of their preferential position in the Canadian market, which was what Canada desired.

Mr. HARRIS (Danforth): And they gave a reason.

Mr. ILSLEY: We have not approached the British government recently; but is this a time to approach Great Britain and ask them to worsen their exchange position? The dollars we send to the Straits Settlements find their way into the hands of Great Britain, enabling them to purchase the supplies they require. If Great Britain would not agree to a modification of her treaty rights last year certainly she would not agree this year, nor should she be asked to do so this year.

Mr. HARRIS (Danforth): I do not want to labour the point, but the minister has given only part of the answer. They declined because they were afraid United States lard might be substituted for part of our vegetable oil consumption. But since that time the situation in regard to United States lard has changed entirely. Their objection was based upon conditions existing at the time the representations were made, but those conditions have altered in the meantime. Their reason for opposing our request has since disappeared; United States lard is not now coming into our market in place of vegetable oils.

Mr. CASTLEDEN: What assurance can the minister give us that the Canadian manufacturer will not take advantage of this opportunity to increase his prices? There seems to be no hope of getting this tax reduced; I was sorry to hear the minister say that it is to be applied universally. It may be all right for industries that can stand it, but certainly the agriculture industry is not able to do so. At all events, have we any assurance that the Canadian manufacturer will not be able to take advantage of this provision in order to boost his prices? By subsection 3 provision is made to set up a board to deal with matters of this kind. Are we to be furnished with the reports of that board?

Mr. ILSLEY: That is under the jurisdiction of the Minister of Labour, who is open to questioning in this house as to the operations of the war-time prices and trade board. All I can say is that subsection 3 has been made as nearly watertight as possible, and I know that the board intends to exercise the closest supervision over price changes. I have confidence that a great deal can be done in that direction. Of course the matter of the control of price increases generally is difficult. It will require a large increase in staff, and the board has its plans made or in course of preparation for that increase. They also have their plans in connection with price control, so that no advantage will be taken of the tax imposed by this section in order to increase the prices of goods by an amount greater than is justified by any increase in cost properly arising from such tax.

Section agreed to.

Section 12 agreed to.

On section 13—Personal liability where offence by incorporated company.

Mr. HANSON (York-Sunbury): Is this considered necessary? There was nothing about it in the resolutions, of course, and the section comes to our attention now for the first time. Is this principle brought in from other penal statutes?

Mr. ILSLEY: I do not know that it is, but it is all right.

Mr. HANSON (York-Sunbury): Then it is a new principle?

Mr. ILSLEY: I do not know whether or not it is in other statutes.

Mr. HANSON (York-Sunbury): This section says:

> Where an incorporated company has been convicted of any offence against this act, every officer, director or agent of the company who has directed, authorized, condoned or participated in the commission of the offence, shall be liable to the like penalties as such company and as if he had committed the like offence personally, and he shall be so liable cumulatively with the company and with such officers, directors or agents of the company as may likewise be liable hereunder.

That is a pretty strong principle.

Mr. ILSLEY: It is not new. The only new part is the first line or two.

Mr. HANSON (York-Sunbury): But the remainder of the section is all predicated on that. If a company is convicted you make every officer, director or agent of the company who has done thus and so likewise personally liable for the offence, and they are to be held liable cumulatively with the company. That is, they are both to be liable, if I understand the application of the word "cumulative," and with such officers or directors as may likewise be liable. The whole posse are made liable, if that is a good word to use.

Mr. ILSLEY: It is an excellent word.

Mr. HANSON (York-Sunbury): I believe it covers the case. This seems to me a large extension of the principle of making an agent liable together with the company. What is the necessity for it?

Mr. ILSLEY: It is to discourage crime.

Mr. HANSON (York-Sunbury): It is a whip over people, is it not? You say that an agent is liable if he is authorized by his general manager to do a certain thing, which may be merely the commission of a prohibited act. As the minister knows, there is a distinction between the common law and the Roman law in connection with offences under this and other legislation. In the present instance, the agent who performs an act under the direction of a higher officer is liable. The higher officer is liable, and the board of directors is liable, although they may know nothing about it. Then, the company is liable. They are all liable, together. Well, my only comment is that we are living in a land of regimentation. This is too great an extension of the authority of the department. The hon. member for Essex East (Mr. Martin) appears to be listening; I should like to hear what he has to say in the matter.

Mr. MARTIN: I never refuse an invitation. It seems to me that the minister's point of view is supported by the words "condoned or participated in." The criticism of the leader of the opposition is that a director of a company would be guilty, even though he knew nothing about it. But the section does not envisage that. It uses the expression, "director or agent of the company who has directed, authorized, condoned or participated in."

Mr. HANSON (York-Sunbury): Participation might carry it; but a director either does or does not direct. If a matter comes to his attention and he does not prohibit it, he would be liable. However, I shall not hold up the section.

Mr. ILSLEY: The principle condemned by the leader of the opposition has been in the act all along. The only change is one of procedure, and that change is found in the first two lines of the section. Under the law as it has been all along, if an agent of a company or a director of a company was prosecuted, it was necessary to prove that the company had committed the offence. This was done all over again in the prosecution against the employee of the company.

Mr. HANSON (York-Sunbury): Of course a conviction could not be made until a foundation was laid; I agree with that.

Mr. ILSLEY: But there is no reason why, if a company has itself been convicted, production of the proof of conviction should not be sufficient, without proving all over again in the prosecution against a director that the company itself committed the offence.

Mr. HANSON (York-Sunbury): If that is the sole purpose of the section, I agree entirely with the minister.

Mr. ILSLEY: That is it.

Mr. HANSON (York-Sunbury): Then I agree with it.

Section agreed to.

Sections 14 and 15 agreed to.

On section 16—Amount may be applied on account of sales or other tax.

Mr. HANSON (York-Sunbury): This is a new subsection; I should like to have an explanation.

Mr. ILSLEY: This subsection is in favour of the subject rather than the crown.

Mr. HANSON (York-Sunbury): Hurrah! Three cheers! We have not had much of that recently.

Mr. ILSLEY: It has been the general practice to apply one-half the further penalty, equal to double the amount of the tax properly payable—those words are taken out of section 112—to payment of the tax itself. If only that provision applied, the taxpayer would be obliged to pay the tax in addition to the penalty. The present subsection is designed to make clear that such is not the intention of subsection 3 of section 112. That is to say, penalties are provided here based on the tax in other parts of the act; and this permits application of that kind of penalty to the liquidation of the tax liability.

Mr. HANSON (York-Sunbury): In other words, the department catches the fellow breaking the law, penalizes him, and then gives him back part of the penalty?

Mr. ILSLEY: Yes, that is the effect of it. I am glad we are too soft instead of too hard, for once.

Section agreed to.

Section 17 agreed to.

On section 18—Time limited for prosecution.

Mr. HANSON (York-Sunbury): Is this not new?

Mr. ILSLEY: Yes, and this is an important change. The limitation section stated that the prosecution must be brought within three years of the cause of action.

Mr. HANSON (York-Sunbury): After the commission of the offence?

Mr. ILSLEY: Yes. It will be understood that some of these offences are not discovered because they are concealed. The nature of the offence is that it is one of fraud, concealment or evasion. Sometimes it is not discovered until two or three years after it is committed, and this provision gives the crown six months after discovery of the offence within which to institute a prosecution.

Mr. HANSON (York-Sunbury): I assume this is based on experience?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): Have there been many cases, or is provision to meet a particular case?

Mr. ILSLEY: It is not to meet any particular case. There are a number of cases where the discovery of the fraud is delayed for a considerable length of time.

Mr. HANSON (York-Sunbury): I am agreeable to the passage of the section, then.

Mr. CASTLEDEN: Would it not be possible to extend the period to a five-year term? Concealment for three years is often done, and I believe quite easily.

Mr. ILSLEY: The crown should not sleep on its rights. The department should not be permitted to sleep on its rights. If the department has three years from the commission of the offence, or six months after the discovery of the offence, whichever may be later, and in that time does not act, then I say there should be a change—

Mr. FAIR: Of government.

Mr. ILSLEY: —in the administration.

Mr. HANSON (York-Sunbury): There is nothing in the section which provides retroactive action in respect of certain offences, is there?

Mr. ILSLEY: Certainly that was not the intention.

Mr. HANSON (York-Sunbury): It does not appear to me to have that effect.

Mr. ILSLEY: It is not intended to have that effect.

Mr. HANSON (York-Sunbury): Then so far as the department knows this section provides no retroactive effect?

Mr. ILSLEY: So far as I know that is correct.

Section agreed to.

On section 19—Penalty or punishment not to be less than the minimum prescribed.

Mr. HANSON (York-Sunbury): This is a new section; I suggest we should have an explanation.

Mr. ILSLEY: A section similar to this is found in the customs act and the excise act. To that extent therefore it is not new. I believe it is a sensible provision. I understand there is some dispute among lawyers and a difference of opinion among judges as to the meaning of a minimum penalty. This section provides that there is no power to impose less than the minimum penalty. It also says that the court shall have no power to suspend sentence. For instance, if there were a mini-

mum penalty of, we will say, not less than three months imprisonment, the court might say, "I sentence the accused to three months in prison, but I suspend sentence." This is a common provision in connection with revenue legislation. As a matter of fact both the customs act and the excise act provide that sentences cannot be suspended.

Mr. HANSON (York-Sunbury): There is a similar provision in the criminal code in connection with thefts from the mails by officials of the post office department.

Mr. ILSLEY: There is provision for a term of three years.

Mr. HANSON (York-Sunbury): Necessity compelled the enactment of a severe penalty for theft from mail bags, or theft by mail clerks of money contained in letters. I used to think the penalty was too severe. There was provision for three years in the penitentiary, and no power to suspend sentence. But I changed my view when a good many cases came under my observation. In the present instance the principle is the same, and I have no objection to it.

Mr. CHURCH: Has the department a legal branch of its own which undertakes these prosecutions? I have always understood that the enforcement of all federal laws is carried out by the attorneys general of the provinces. The Minister of Justice stated that in the house, although it is not the general rule that a minister of justice should give opinions. That has been the case since confederation. If the department has no legal branch, does it engage counsel in the various excise districts? Who pays the costs of this work? I notice that in certain prosecutions in the Toronto police court at times quite heavy fines are imposed, whereas prosecutions in other parts of Canada quite often end up with only the minimum fine being imposed. Toronto is the principal tax-paying district of the dominion, and that being the case I suppose it is felt that the maximum penalties should be imposed. There should be equality of treatment.

There should be some uniform system of penalties. Why should the maximum penalty be imposed in one part of the country, and the minimum in the other? The auditor general's report shows that large sums of money are expended by this department to retain lawyers all over the country. I look upon this as patronage. Has this and other departments a staff of lawyers to do this federal work? It runs into considerable money and the man who has to pay it is the taxpayer. I have read that the lawyer acting for the department has in some cases suggested the maximum penalty. There should be a general rule to apply to the whole country.

Mr. ILSLEY: The excise division has two departmental solicitors who supervise the enforcement of the provisions of the acts administered by the division. However, when prosecutions are undertaken it is necessary to retain counsel in the various parts of Canada, and the cost of this work is provided for by a vote to the Department of National Revenue. The prosecutions are carried out under the supervision and direction of the departmental solicitors, with the assistance of the Department of Justice. The Department of Justice selects the counsel who conduct the various cases.

Section agreed to.

On section 20—Schedule I amended.

Mr. COLDWELL: I should like to point out again that this section confers a considerable advantage upon the manufacturers of lower-priced automobiles. We should consider ways and means of getting more revenue from these manufacturers than we have in the past. A short time ago I had occasion to refer to one of these companies, the Ford company. At that time I pointed out that this company had been given a real advantage by our Canadian legislation, and that it was not controlled by Canadians. That point was disputed and subsequently I asked some questions and received a return giving the names of the directors of this company. They are as follows:

Henry Ford, Dearborn, Michigan,
Edsel B. Ford, Grosse Point Shore, Michigan,
George E. Dickert, Detroit, Michigan,
P. E. Martin, Detroit, Michigan, and
W. R. Campbell, Windsor, Ontario.

This company, which receives a most valuable concession, is controlled from the United States. It is under the domination of a gentleman who refused, through his organization in the United States, to perform a most necessary service for Canada. I want to emphasize again that a valuable concession has been given to the manufacturers of lower-priced cars. We have been doing this for quite a number of years with interesting results and I should like to refer briefly to some of them.

The Ford company of Canada, which will receive considerable benefits under this provision, was organized by Mr. Ford, the shares of the company having a par value of $100. In 1929 there were 70,000 of these shares, and at that time a reorganization of the corporation was authorized by this parliament. To-day there are 70,000 voting shares,

over half of which are said to be owned by the Ford family and the Ford Motor Company of Detroit, Michigan. The hon. member for Essex East (Mr. Martin) shakes his head, but that is the information I have received. If it is inaccurate, I shall be glad to have him correct it. A total of 1,588,960 non-voting shares were also sold. Only one director is a Canadian, and yet under empire agreements and legislation of this description we have constantly given to this company and to other makers of lower-priced cars a distinct advantage. Here is the result. In 1905 a Ford company share was worth $100; to-day that same share, split up as it has been, is worth $10,800, even at the present low market price. The dividends paid on that original $100 share total $13,305. The total return on the original investment of $100 amounts to $415.78 per year since 1905.

I should like to take this opportunity to bring something else to the attention of the committee. When certain matters are discussed in the house, it seems to me that a defence of any criticism should be made here also. I have in my hand a document which was issued by the government's director of public information for immediate release. It contains a report of a speech delivered by Mr. Lash, who I understand is one of the officials of the department, in Calgary on Friday, July 5. I believe this was circulated to all the newspapers of Canada, and I want to take exception to this kind of thing being done. I should like to quote just a few words as follows:

> In connection with the effort of our motor industry, I should like to say a word about the Ford Motor Company of Canada. This company has done and is continuing to do magnificent work in the service of the empire. No hard feelings which may have been caused in this country recently by the attitude of Mr. Henry Ford should be permitted to reflect themselves in unmerited criticism of or action against the Ford Motor Company of Canada. To permit or to encourage any such expression of public disapproval of the attitude of an individual, would be to do Canada a great disservice. The president of the Ford Motor Company of Canada is Mr. Wallace Campbell. This country has no finer public-spirited or patriotic gentleman.

May I interject that no criticism of mine has been levelled against Mr. Wallace Campbell. The point I am making is this. Here we have a matter before the house and while it is under discussion the director of public information circularizes all the newspapers of Canada and many others in defence of a company which is under fire. I have no objection to that being done after the matter has been disposed of in the house, when it might properly receive some such attention.

In my opinion the time has come when in the interests of our war effort we should see to it that every vestige of control that may be of a subversive character from the point of view of our war effort is removed from the management of every one of our industries and it should be removed without fear or favour. Of course we are met immediately with the cry: This is socialism. May I refer hon. gentlemen to some eloquent words I heard on Sunday evening from the lips of Miss Dorothy Thompson who, addressing herself to Hitler, said:

> The plutocratic England you attack is to-day a socialist state, a socialist state created without class war, created out of love, and led by an aristocrat for whom England builds no eagle's nest or palaces out of the taxes of her people, a man who cares nothing for money or ever has, but only for Britain, and for the coming world that a free and socialist British society will surely help to build if ever it is built.

If we are going to enact legislation of this description, imposing taxes which are in some respects protective taxes—undoubtedly an additional tariff is placed on farm implements by another section of this bill—giving to the manufacturers of the lower priced cars an advantage in our market over the manufacturers of higher priced cars, then we should see to it that the benefits shall accrue not to individuals, particularly individuals like Mr. Ford, but to the Dominion of Canada, and we should be devising ways and means of securing for Canada any financial benefits that may result from action by parliament.

Mr. MARTIN: Mr. Chairman, this matter is too important to be allowed to go unnoticed. The hon. member for Rosetown-Biggar (Mr. Coldwell) is to say the least persistent. I suggest to him that a little reflection might have caused him to-day to decide not to persist in this matter. The Ford Company of Canada, like many another company, has its weaknesses and its disabilities, and I have been as strong in criticizing them in this house as any other hon. member. But the Ford Motor Company of Canada is such a large organization and employs so many working men who have been vitally affected since the last speech of the hon. member—

Mr. COLDWELL: That is not true.

Mr. MARTIN: —that I could not sit in my place as the representative in this parliament of a constituency where for the time being that company happens to be situated and allow to pass unnoticed the remarks of the hon. gentleman.

What the hon. gentleman has said about Mr. Henry Ford himself will win the approval of every member of this house. That approval

already has been accorded. Since the debate that took place here some weeks ago I have followed the press of the United States and I may tell the hon. member that the views of Mr. Henry Ford are not shared by his own countrymen.

Mr. COLDWELL: I know that.

Mr. MARTIN: So that when I rise to speak to-day I do not rise to defend Mr. Ford, of whom I can utter no words of stricture adequate to meet the case. I rise rather to defend what is nothing else than an all-Canadian organization.

Mr. COLDWELL: What about the directors?

Mr. MARTIN: I am coming to that. The Ford Motor Company of Canada is first of all in law a legal entity. The automobile industry in Canada has of course a close relationship with the corresponding body in the United States. That can be said of every automobile company in Canada. But if there is one company in the automobile industry in Canada that is more Canadian than any other company, it is Ford of Canada.

To illustrate the fallacy of the rhetorical kind of argument so ably made by the hon. member for Rosetown-Biggar, let me point out to him that the distribution of the shares of Ford of Canada is so all-embracing that its shareholders reside in thirty-four different countries.

Mr. COLDWELL: Voting shares?

Mr. MARTIN: Voting shares. I am now talking about the class B stock, which is the voting stock. There are more shareholders of the Ford Motor Company of Canada resident in Canada than in any other country.

Furthermore, to say that Henry Ford or his family control the Ford Motor Company of Canada is to state something that is not the fact. No individual shareholder and no group of shareholders acting in concert owns an absolute majority either of the class B voting stock or of the class A non-voting stock of the Ford Motor Company of Canada. So that if Mr. Henry Ford and his family and his directors and his American company wanted to stop the war effort of the Ford Motor Company of Canada they could not do it, because they do not hold the majority of the voting stock or a majority of the non-voting stock.

This gives to the whole picture a different light from that in which it was presented by the hon. member. Moreover, while it is true that Henry Ford was the founder of the business, that business has largely passed out of his hands. The hon. gentleman has just as easy access as I have to the information that I have obtained and given this afternoon, and if he had taken the opportunity he would have found that a startling situation exists in that respect which I do not feel I have any right to describe to the house. Not that there is anything to hide, but it does reveal a startling picture, and it shows that Mr. Henry Ford is not the octopus that he is supposed to be.

With regard to the reorganization, I have simply this to say, that any shares that were purchased then—and I have made an investigation through the office of the securities commissioner—were sold in the open market and were as readily available to anyone else as they were to those who bought them.

I am taking some pains, Mr. Chairman, to deal with this matter—possibly this is the last time it will be brought up—because incalculable harm has been done to an industry which means so much to Canada. The automobile industry, in terms of its full accumulations direct and indirect, the thousands of industries in this country which depend upon it for their existence, is vitally affected by the discussion, well-intentioned, I know, by the hon. gentleman, but nevertheless one that is calculated to do tremendous harm and no real good.

So far as the war effort of the Ford Motor Company of Canada is concerned, what I say of them I might say of the automobile industry generally. There is, I submit—and I have taken some pains to ascertain the merit of what I am now saying—no company in Canada which has done as much in the prosecution of this war as the company which my hon. friend has so severely castigated. At the outset of the war the president of the company, Wallace Campbell said—and I am glad my hon. friend has this time not questioned the patriotism and the integrity of Mr. Campbell—

Mr. COLDWELL: I did not do so last time.

Mr. MARTIN: Well, I think he certainly did, by implication. I ask him to contrast with what Mr. Henry Ford said this statement of Mr. Campbell:

> All the facilities, resources, man-power and equipment of the Canadian Ford company and the overseas affiliated Ford companies in Australia, New Zealand, South Africa, India and Malaya are now making, and have been making, every possible contribution to the defence of the British empire and the successful prosecution of the war.

There is no doubt that the Canadian Ford plant is particularly fitted for the production

of mechanical motorized transports which are being used so extensively at this very moment in the United Kingdom.

Long before war was declared the Ford Motor Company of Canada had loaned some of its technical skill not only to this country but to France and the United Kingdom, for the purpose of preparing for eventualities. At the present time the production of passenger cars is seriously curtailed to give way to war effort, with the result that to-day more than fifty per cent of the production in the Windsor plant consists of vehicles for military use. The Ford company of Canada is supplying the British empire with a total of approximately 35,000 of these units, and of this total nearly 10,000 are for the Canadian government and 25,000 for use by other empire countries such as South Africa, Australia and India.

Moreover at the moment the plant is being rapidly tooled for the production of universal machine-gun carriers. These will be supplied to the Canadian government in a considerable quantity per week.

To show how serious this situation is, having in mind the discussion which was initiated by the hon. member who has just taken his seat, let me point out that among the various types of equipment now being manufactured in the Ford plant at Windsor are the following, indicating how important this production is from the point of view of our share in the war.

Mr. COLDWELL: We are not interfering with that, though.

Mr. MARTIN: Well, you have, very seriously.

Mr. COLDWELL: No.

Mr. MARTIN: Light two-wheel drive trucks, known as 8-cwt., which are used for carrying light stores, personnel or wireless sets; 15-cwt. units, used as anti-tank gun tractors, water tank carriers and to transport heavier loads, personnel, et cetera; 30-cwt. four-wheel drive, used as load carriers; three-ton units for heavy loads, for workshops, for wrecking equipment, et cetera; four-wheel drive gun tractors used to haul artillery; ambulances, as well as regular passenger cars and station wagons specially fitted and painted for army purposes.

Moreover, Ford engineers, and they are for the most part Canadians, have contributed in a very important way, although in a way which does not permit public exposition, to the design of certain army-type vehicles. My hon. friend has the opportunity of going into the appropriate department and determining the great value of this work alone. I am advised that war orders have priority in the plant over all other production.

Over 8,000 working-men are employed in Ford motor plants throughout Canada. There are some 6,000 employed in Windsor alone.

Mr. MacNICOL: Is the hon. gentleman able to give us the number of employees in other factories throughout Canada which are supplying material to the Ford company, so that we shall have an idea of the tremendous amount of labour involved in that company's activities in Canada?

Mr. MARTIN: I thank the hon. member. Although I tried to get these exact figures, the situation has been put to me in this way. We say that wheat is our main industry in Canada. That is true only in a qualified sense. The automobile industry, having in mind the question which has just been put by the hon. member for Davenport, is the most important industry in Canada. The tire industry and the manufacture of all the parts which go with it, must be included, and altogether this industry means more to the economy of Canada than any other.

Mr. COLDWELL: And we have paid more dearly for it.

Mr. MARTIN: That is another question. I am simply pointing out what it means to the economy of this country.

Mr. STIRLING: Would the hon. member permit me a question before he leaves that point? He has told the committee that the largest number of class B shareholders are domiciled in Canada. Would he be prepared to give the committee the numbers that are domiciled in other countries?

Mr. MARTIN: I have not that information. I have made the broad statement that the shares are held in thirty-four different countries.

Mr. STIRLING: Yes.

Mr. MARTIN: I have also made the statement that the largest number of shareholders are Canadians.

Mr. STIRLING: Could the hon. gentleman say what percentage of the total that is?

Mr. MARTIN: I cannot give the percentage, except that in fairness I should say this, that the geographical distribution of the shares is not consistent with the monetary value of the shares. In other words, I suppose that if the shareholders in all countries could get together they could easily outvote the Canadians.

Mr. STIRLING: The figures are not much good without the percentage of the total.

Mr. MARTIN: No. I have not the percentages.

Furthermore, just to indicate the type of person that is conducting the Ford unit in Canada, as compared with the viciousness, the narrowness, the stupidity—if you will—of Mr. Henry Ford in respect of the wisdom of supporting the allied cause: the Ford Motor Company of Canada provided, long before this matter arose, a course of instruction in the care and operation of motor vehicles to more than 7,300 Canadian women through the Women's auxiliary motor service.

Refugees have been brought to Canada in the past two weeks, some—I do not know the exact number—under the auspices of the Canadian Ford company.

Now, all this I have placed on *Hansard* because here is the centre, the focal point of all that may be regarded as good or bad by our public; it is from here that the statement of the hon. member went out, and I know, from the hundreds of letters I have received, that the impression which he sought to make he has succeeded in making. Nevertheless in making it he has done a great injustice not only to the executives but to the men who work in that plant, and who would not continue to do so if they believed for one moment that Wallace Campbell and his group were in any wise sympathetic to the views of Mr. Henry Ford.

Mr. COLDWELL: It would surprise the hon. member to see the letters I have received from employees of the company, stating something entirely different.

Mr. MARTIN: What the hon. member has received, it should be stated in all fairness, are letters such as I have received, and I do not say I disagree with them, in respect—

Mr. COLDWELL: —to the inhuman conditions in the plant.

Mr. MARTIN: That is another point, and my views about that are well known.

Mr. COLDWELL: That is what I criticized.

Mr. MARTIN: I have condemned that as vigorously as I could in this very chamber. But that is another question, and I say to the hon. gentleman that he has done a great injustice to an organization which has dissociated itself from Mr. Henry Ford,—

Mr. COLDWELL: But not as to the conditions in the plant.

Mr. MARTIN: —to an organization which has but one purpose, a purpose shared by all of us, which is to bring about through every effort possible the winning of this war.

Mr. CASTLEDEN: Will the hon. member contradict the statement of the profits and the increase in the value of shares as given by the hon. member for Rosetown-Biggar?

Mr. MARTIN: Well, my hon. friend has asked two questions which are not related to each other, and the second of which is misleading, when he says "an increase in the value of shares". There is nothing sinister in that. With regard to profit, if that is the statement the hon. member has received, that is undoubtedly the case. I am not rising to defend the Ford motor company or to say that they are not being allowed to make too much. I have my own views on that and they are well known. I simply rose to meet one argument put forward by the hon. member for Rosetown-Biggar, and to say that because Henry Ford, an American, had expressed views that were not even shared in by his own son, that was no reason why a Canadian organization employing Canadian workmen should be sequestrated and have its property treated as alien property.

Section agreed to.

Sections 21 to 27 agreed to.

Bill reported.

Mr. ILSLEY moved the third reading of the bill.

Mr. T. L. CHURCH (Broadview): We have been discussing rates of duties on automobiles under section 20. I do not object to the Ford company in Canada but I certainly object to Henry Ford, the American who has made so much money in this country before the Canadian company was set up, doing business in Canada. What did he say, according to the press, when the allies entered the war? He said they were only bluffing, that Britain and France went to war to defend the financiers of those two great countries. He has all along been against the allies. The president said that the dictators should be quarantined and America would not stand idly by. Well, if this government would quarantine Henry Ford it would be better for the people of Canada and America, because he has been the chief isolationist against Britain and France in this war. His work has been pro-Hitler, with his ringside advice. He has done more than anyone else to contribute to the disaster which overtook that glorious country France, when all the French people needed was a supply of munitions. The minister is patriotic, and I believe the people of Canada would support both him and the government if they banned Henry Ford and his American concern. I am not referring to those patriotic people in Canada who are connected with the Ford company here; they should be allowed to do business as usual in Canada. I am referring to the parent company. I say that they should

be banned for all time. Henry Ford is a menace to the freedom and civilization of the world to-day. His isolationism and pacifism is most provocative. He should be quarantined by this government and he and his works and products kept out of the country for all time.

Motion agreed to, and bill read the third time and passed.

EXCESS PROFITS TAX ACT, 1940

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 104, the Excess Profits Tax Act, 1940.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Fournier (Hull) in the chair.

Section 1 agreed to.

On section 2—Definitions.

Mr. ILSLEY: There is an amendment which I will ask the Minister of Public Works to move.

Mr. CARDIN: I move:

That subsection 2 of section 2 be amended by adding thereto the following:

"and definitions contained in the said Income War Tax Act shall apply in this act."

Mr. HANSON (York-Sunbury): The effect is simply to add the definitions of the Income War Tax Act to this bill. Are they to be superimposed on this one?

Mr. ILSLEY: Yes. The Income War Tax Act is the basis of this bill. The bill already provides that the expressions contained in it shall have the same meaning as in the Income War Tax Act, and it was thought by some draftsman who was reading it over that we should incorporate the definitions.

Mr. HANSON (York-Sunbury): Would they overlap?

Mr. ILSLEY: Oh, yes.

Mr. HANSON (York-Sunbury): Is there no redundancy?

Mr. CASTLEDEN: Could the minister read the definitions?

Mr. ILSLEY: They are very long; I do not think it would be possible.

Amendment agreed to.

Section as amended agreed to.

Section 3 agreed to.

On section 4—Adjustments to standard profits.

Mr. ILSLEY: I wish to make the following amendment:

[Mr. Church.]

That Bill No. 104 be amended by adding the following paragraph to subsection 1 of section 4 thereof:

"(d) adjust the standard profits by reference to any increase or decrease in depreciation allowances or other charges to such a basis that the said charges during the standard period are comparable with similar charges during the taxation period."

Mr. CARDIN: I move accordingly.

Mr. ILSLEY: This amendment is of some importance, and perhaps it is only fair that I should explain it. There are companies which had a particular basis of depreciation during the standard period and which may wish to change that basis during the taxation year. It is clear that if a company charges depreciation at a lower rate during the taxation year, that will increase the profits and perhaps make larger excess profits than otherwise might be the case. It might even create excess profits which otherwise would not exist. But that would not be a fair excess within the meaning of the bill; it would be simply a technical excess, and manifestly it would be unfair to tax it as such. Similarly a company might increase the rate of depreciation, in which event it could minimize or perhaps entirely wipe out any excess which otherwise would exist and be taxable. That also would be a technical point. This enables an adjustment to be made so that standard profits will be adjusted in reference to any increase or decrease in depreciation allowances or other charges to such a basis that such charges during the standard period are comparable with similar charges during the taxation period.

Mr. HANSON (York-Sunbury): Is there any similar provision in the Income War Tax Act?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): There is no provision such as this for making adjustments?

Mr. ILSLEY: No. It does not make any difference there, because that act does not contemplate the taxation of the excess in one year as compared with that in another year. The Income War Tax Act provides that depreciation rates may be fixed at the discretion of the minister, and rates are fixed or allowed for certain industries.

Mr. HANSON (York-Sunbury): They are more or less standardized?

Mr. ILSLEY: More or less. The company can set aside amounts for depreciation up to the rate fixed. They are not obliged to go up to that rate; they may go below it if they wish.

Mr. HANSON (York-Sunbury): The rate fixed is the maximum?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): This may not be relevant, but I should like to ask a question at some stage in order to obtain some information with respect to the matter of adjustments under the Income War Tax Act. Perhaps I might ask the question now, if the committee will allow me to do so. Let us say that the accounting department of a firm employs a man who brings them out with a substantial profit for two or three years. They pay the income tax on that profit. Subsequently it develops that there has been, shall I say, a dishonest report from the accounting department, and that instead of making money the firm actually has been going behind, if one could imagine such a state of affairs. If representations were made to the department and proof established, would that firm be entitled to any refund? In the circumstances I have endeavoured to portray, would the firm be entitled to have the whole position reaudited and analysed, and to have justice done, or is it considered to be a closed matter?

Mr. ILSLEY: There is a short limitation period in the Income War Tax Act. That limitation period is a year, and only in rare cases does the department consider itself justified in recommending that an order in council be passed—

Mr. HANSON (York-Sunbury): That is necessary?

Mr. ILSLEY: Yes, for refunds in cases after the year has elapsed. Within the year, however, there is no reason why a fair adjustment could not be made. After that period it is, I admit, a little harder to get it.

Mr. HANSON (York-Sunbury): I suppose in law the principle of estoppal applies in a degree, and there is the question of money paid under mistake of fact. I have forgotten just what is the distinction between money paid under mistake of law and money paid under mistake of fact. In the one case the money is recoverable, and in the other case it is not. My recollection is that money paid under mistake of law is not recoverable, on the theory that the party who pays is presumed to know the law, which I always thought an improper principle to apply. In the case I have in mind, both questions might be involved. At all events I am bound to tell the minister that only to-day information came to me concerning a case such as I have mentioned. I am going to discuss the matter with the commissioner later, when I have the full facts. In the meantime a true audit is to be made by an outside auditor and the facts established as far as possible. I have mentioned the matter in order that I may not be proceeding improperly in even asking for consideration for the taxpayer.

Mr. CHURCH: This provision is based on the budget, and it increases the amount of money being taken from business. In my opinion, if this keeps up, we are going to abolish all initiative in business in Canada. This seems to me quite a step towards state socialism, but it is far removed from the protestations of the government with regard to freedom of trade and commerce in this country. It simply means that he who sows shall reap nothing. With the money the government leaves him the business man will have a hard time paying his other taxes, dominion, provincial and municipal. It is said that this taxation is for war purposes. If that is so, why does Canada not go to war properly instead of preparing for home defence? The business men of the country would not object to taxes of this kind if they knew they were being used in order to help fight the enemy at the gate, but we are not doing that. We cannot fight Hitler at home; we have to fight him at the front. These taxes are not necessary unless they are for fighting overseas and speeding up our aid to Britain. The rest is just camouflage.

Amendment agreed to.

Section as amended agreed to.

On section 5—Ascertainment of standard profits by board of referees.

Mr. HARRIS (Danforth): Before the section carries, would the minister enlarge on the subsection dealing with depressed businesses? What principle has the minister in mind in connection with the definition of a depressed business? Has he in mind a comparative figure over a period of a decade prior to the four-year standard base, or has he in mind the element to which consideration would be given in connection with depressed businesses? I have in mind instances where businesses have broken even. They have not made money for, let us say, three years. Then perhaps in one of the four years they make a five per cent or a ten per cent profit over and above what is allowed.

For example, let us suppose that in one year a company made $40,000, and made nothing in the other three years. That is a profit on an investment of, say, $800,000, and would be a five per cent return. Nevertheless that $40,000 is to be divided by four. How much

more equitable it would be if it were divided by one, or the year in which the money was made. Would such a company be considered a depressed business, as described in section 5? Would it be a depressed business if in three years out of four it showed losses, but in the fourth year showed a normal profit? What principle is in the minister's mind?

Mr. ILSLEY: The company described by the hon. member would sound like a depressed business to me. However, the minister to be satisfied would be the one in charge of the department, namely the Minister of National Revenue. It is not possible to lay down any definite or comprehensive principle; rather it is a matter for the minister to decide.

Mr. HARRIS (Danforth): I am sorry to ask the question again. However, when I asked it before, the minister was, well, not exactly short, but left the impression on the committee that very few cases would come under section 5. That is the reason why I have raised the question again.

Mr. ILSLEY: I understand.

Mr. HANSON (York-Sunbury): This is an important section in the bill, and through it extensive powers are being vested in the Minister of National Revenue. Of course the minister may direct that an inquiry be made by a board of referees. We have not yet been informed as to the type of men who are to sit on that board. Directions are given as to what they shall do, and I think the minister ought to give some further explanation as to the principles which will be applicable in the carrying out of their work.

I notice that in paragraph (a) there is an alternative in connection with what is to be termed a depressed business. The paragraph states, in part:

> (a) That there were no profits in the standard period because the taxpayer was carrying on business at a loss or that the profits of the standard period were so low that it would not be just to ascertain the standard profits of the taxpayer by reference to such profits because either the business is of a class which during the standard period was depressed or because the business of the taxpayer was for some reason peculiar to itself abnormally depressed during the standard period when compared with other businesses of the same class.

That opens up a wide field, and several alternatives are indicated. I shall set out a concrete case, and in that manner may place before the minister what is troubling me. I have in mind a company carrying on a large manufacturing and export business. Due to the depression the volume of business carried on by that company had been greatly restricted. Everything possible had been done to cut down operating and production costs, but there was a large overhead and a heavy bond issue. In one of the four standard years, when there was an extension of volume, although the price began fairly low the company was able not only to break even but to make a profit. At the present time the war has had a direct effect on the business by way of restriction of importations into the United States from Europe, and as a result the volume of business has increased. Not only has the volume increased but, because of the law of supply and demand, the price has increased. Let us suppose that the company in question produces sulphite pulp, and products thereof such as sulphite papers, catalogue papers, and all that sort of thing. Let us suppose also that for ten years that business has not been doing well, due to lack of volume and low price. Now, in the year 1940, due to a rise in price and increased volume the business will show a substantial profit. However, in only one year of the standard period did it show a profit. and in the other three years it had losses. Presumably those losses were taken out of inventories or working capital—perhaps a little out of both.

My question is this: Is that business to be penalized by the imposition of this excess profits tax? That is one instance where some relief ought to be given. Will the losses sustained in three out of four years be taken into consideration? I do beg the minister to give consideration to these facts. Under the section now before us I assume it might be done, but we have had no statement of principle from the minister. I do not wish to name the company, because I believe it would not be proper to do so. However, it is not right that that company should be penalized on this year's operations, in view of the experience they have had in the four standard years. If the minister would say that the aggregate profit is to be divided by one, so that they may have the benefit of the one year in which they did make a profit—and upon which I would presume they paid income tax—I believe he would be fair. But to divide by four the profits of one year would leave them a very low base. There would be nothing at all for the shareholders, who have invested millions in the company, and have not received a dividend in ten years.

Some consideration will have to be given to companies of that kind. Is the scope of this section wide enough to give them relief, and would such power be exercised?

Mr. ILSLEY: No undertaking could be given in reference to any particular company.

Mr. HANSON (York-Sunbury): I would not ask that.

Mr. ILSLEY: It is open to that company to apply to the minister for consideration. I believe in turn the minister would refer the case to the board of referees. That would be my assumption, because under this section it is open to the minister to be satisfied, if the facts justify it, that the profits of the standard period were so low that it would not be just to ascertain the standard profits of the taxpayer by reference to such profits, because either the business is of a class which during the standard period was depressed or because the business of the taxpayer was for some reason peculiar to itself abnormally depressed during the standard period.

Mr. HANSON (York-Sunbury): What is meant by the expression "peculiar to itself"?

Mr. ILSLEY: I can tell the hon. member what is meant. He has referred to a company producing pulp.

Mr. HANSON (York-Sunbury): Sulphite.

Mr. ILSLEY: Yes, sulphite pulp. If that business were depressed, then that business is of a class which during the standard period was depressed. Pulp companies were having a hard time, and the industry was depressed. That is one case. The other case is different; it refers to the individual company whose business is abnormally depressed when compared with other businesses in the same industry.

Mr. HANSON (York-Sunbury): I do not think the company to which I referred would come in that category. They have done as well as their competitors and none of them has made any money.

Mr. ILSLEY: It may be that the industry as a whole was depressed. If so, the first stipulation to which I have referred would apply. I do not know what the minister would say or do or what the board of referees would say or do in the case mentioned by the hon. gentleman, but it would certainly be open to that company under the provisions of the section to apply to have its base raised because of the fact that it had had three years of losses out of four.

Mr. HANSON (York-Sunbury): The best the minister can say is that this company would have an opportunity to present its case and would have to trust to the fates.

Mr. STIRLING: If the four years are considered as standard years, would it not be possible to combine the pluses and the minuses in making the arithmetical computation to arrive at the total which is subsequently divided by four?

Mr. ILSLEY: That would be exceedingly harsh upon the company. There are three ways in which it can be done. One is the way just mentioned by my hon. friend, that is, to set down the profits, subtract the losses, and divide the result by four. The second way is the one we have taken. We take the years of profits, add them together, consider the losses as zeros, and divide the result by four. This method is not so harsh upon the company.

Mr. HANSON (York-Sunbury): You consider the losses as zero?

Mr. ILSLEY: Yes. A number of representations, such as those which have been made by the hon. member for Danforth (Mr. Harris) and the leader of the opposition, were made to the department. It was contended that we should just take the years of profit because it should be considered that no company was ever organized to lose money. It was contended that there is something abnormal, something altogether freakish about a loss year, and that therefore the loss years should be disregarded. All kinds of representations were made to that effect. This method of averaging the profit years would be the most favourable for the company. We take the middle road.

Mr. HANSON (York-Sunbury): You are a compromiser.

Mr. MAYHEW: Will the board of referees be located in Ottawa, or will it hold sittings at different places? It will be annoying if a company has to wait for a decision.

Mr. ILSLEY: The question has not been decided, but I think the board will have to travel. Every effort will be made to ensure that applications are disposed of.

Mr. JACKMAN: Unfortunately I was unable to be present when this Excess Profits Tax Act amendment first came before the house, but I did make certain representations when the resolution was in committee. I made an estimate at that time that this excess profits tax so-called was caluculated to bring in about $100,000,000 during a full year, and that some $75,000,000 would be derived from the increase in the corporate income tax from 18 to 30 per cent. Has the minister had those figures checked? I made the suggestion that it might be wiser to change the name of the bill to accord more nearly with its real purpose. Would the minister be good enough to let me know whether the calculation I made was approximately correct?

Mr. ILSLEY: Some computations were made while the hon. gentleman was speaking the other night, but the matter was not

followed up. The memorandum appears to have been lost. If the hon. gentleman will just state his case again, I shall endeavour to deal with it now.

Mr. JACKMAN: I contended that this tax aims to bring in $100,000,000 in a full year and that $75,000,000 of that would be derived from the increase in the corporate tax from 18 to 30 per cent.

Mr. ILSLEY: How is that figure obtained?

Mr. JACKMAN: When we were debating the resolution, the minister gave the key that the 15 per cent corporate tax brought in some $65,000,000. According to the estimates of the former Minister of Finance it is expected that there will be some increase in business and profits generally during the coming year. I do not think the figure of $75,000,000 will be found to be far off the mark, but naturally any figure must be in the nature of an estimate. At that time, to the amusement of the minister, I characterized the tax as being more in the nature of an excess tax on profits. I think this matter is of serious concern because the impression is gaining throughout the country that business is prospering almost unduly as a result of war expenditures. It is thought that this is a tax, not on the normal operations of business but on the excess earnings due to the war period. Under the perfect economy there would be no money made out of a war, but this tax and its title "excess" give the people the idea that there is a great deal in the way of extra earnings being made by these companies and that the government are going to collect some $75,000,000 or some $100,000,000 as a result of these extra earnings. If these companies have no profit above the average of the four year base they are going to be taxed an additional $75,000,000. This provides the bulk of the whole tax. I suggested another name for the tax, that it be called an excess tax on profits, but I did not expect that that suggestion would be accepted. It might also be more properly called a corporation war tax or, better still, a shareholders war tax. This would convey the true meaning of the taxation.

In my brief experience in this house I have found that there is a great tendency to quarrel with our economic system. Had this nomenclature of "excess profits" been used by our hon. friends to my left, assuming that they formed the government of the day, it would have been looked upon as a stab at the economic system. The party in power to-day has never been accused of being particularly unfriendly to the economic system. This name is a complete misnomer and it creates a wrong impression throughout the country.

[Mr. Ilsley.]

I do not think it would alter the government's policy at all if they called this tax by its proper name.

Mr. ILSLEY: There is much in what the hon. gentleman says; there would seem to be an element of misdescription in the title. However, the hon. gentleman has made it clear and I am helping him in that effort. Perhaps having gone that far it will not be found necessary to change the title of the bill.

Mr. JACKMAN: Hon. members endeavour to be helpful in their criticism and not destructive. I think the point I have tried to make is one of some substance, and I believe the government would be well advised to give it consideration. It is a matter of serious consequence when we have so many attacks made on our present system.

Mr. DOUGLAS (Weyburn): In discussing this matter on the resolution the minister said that the question of a luxury tax had been explored. Would he mind elaborating on that? I see that the British government have imposed a luxury tax of 33⅓ per cent, but whether they are doing it in order to shut out luxuries altogether or to gain revenue, one would need more than the newspaper report to determine. What was the result of the minister's investigation in the field of luxury taxes as a source of revenue?

Mr. ILSLEY: The investigation was made by my predecessor.

Mr. DOUGLAS (Weyburn): But the officials of the department would know the findings.

Mr. ILSLEY: Yes. A luxury tax was imposed in Canada in 1920, I think, by Sir Henry Drayton as Minister of Finance, and I know that my predecessor had before him the schedules which were used by Sir Henry Drayton at that time. They consisted of many foolscap sheets of articles which might be called luxuries. In jewellery, for instance, the line was drawn at a certain price, and articles of jewellery that cost more than a certain number of dollars were called luxuries and were subjected to the luxury tax. There was a high degree of particularization. A distinction was made, for example, between ordinary umbrellas and umbrellas with ivory handles, and so on. That tax, if I am rightly informed, lasted less than a year. The evasion was so great, the cost of administration was so great, and the results of the tax financially were so disappointing that they had to get rid of it.

It is easy to say: Let us tax luxuries. But when an attempt is made to state what luxuries should be taxed, unless you select a large number of small articles and place a tax on them, in which event the cost of collection and

the opportunities for evasion are very great indeed, you do not get far. In this budget we have picked out high priced cars and put a tremendously heavy tax upon them. That is an effective luxury tax, effective largely by reason of its simplicity and by reason of the dimensions of the commodity itself and of the transactions affected. But it is difficult to find many such commodities; you have to drift into the field of a large number of odds and ends, and the results are not worth while.

Instead of imposing luxury taxes in that sense, in this budget we increase the income tax substantially. That is an automatic luxury tax and is designed as such. It does not give guidance, to use the words of my hon. friend from Toronto, as to what the taxpayer should buy, but his necessities will guide him before very long. If he finds that the government, by the national defence tax and by this heavy income tax, is cutting down the amount that he has to spend, he is going to reduce his consumption, and it will be his consumption of non-essentials, of luxuries, that he will reduce. After much consideration by the officers of the department that was deemed to be the soundest form of luxury tax which could be imposed.

Mr. ROSS (St. Paul's): I do not quite agree with the minister. As I said before in the house, guidance is what is required in taxes of this kind. It is all very well to say that the heavy income tax will act as a luxury tax, but as I tried to point out before, we found it necessary in giving relief to designate what the people should buy, rather than give them cash vouchers. The heavy income tax which the minister has spoken of as a luxury tax is so heavy in comparison with what the tax was before that it is really not an income tax but a capital tax. It amounts really to a capital levy. There are other ways of getting the money which the government requires without imposing all of a sudden such a heavy increase in the income tax. There are luxuries which could be taxed. But the minister has decided to proceed in this way. It is a laissez-faire way of dealing with the matter. It is adopted because it is the easiest way, and all this talk about the cost of collection being high, and not giving direct guidance, is nonsense. Guidance must be given to the people. There are plenty of commodities that it is necessary for them to do without.

The minister also said that the government was trying to turn people from buying non-essentials to buying essentials. The very best way of doing that is to impose some of these luxury taxes on goods that can be done without. When I spoke on this question before, I pointed out, as did the leader of the opposition (Mr Hanson) and the hon. member for Danforth (Mr. Harris), that fifty cents a quart on liquor would produce a tremendous revenue and the law of diminishing returns would not bother the government very much, because that is one place where the law of diminishing returns might be an advantage.

Mr. GREEN: This section deals with the tax on gold mines. The minister said, as reported at page 1550 of *Hansard*:

> Nothing could be more definite than the taxation that is to be imposed on a new mine. It is to be 75 per cent of the premium on gold, or 12 per cent on the profits of the mine, whichever may be the greater.

Apparently there is still some uncertainty about the manner in which the tax will be imposed. How would the tax be assessed against a mining operation of the type I am going to mention, and what would be the amount of the tax? In this hypothetical case the capital of the company is $500,000; that is actual cash paid in, and 10,000 ounces of gold are produced in the year.

Mr. ILSLEY: What year, please? In the year of taxation?

Mr. GREEN: Yes; 10,000 ounces of gold are produced in the taxation year; $100,000 provision is made for depletion; $10,000 provision is made for depreciation; the net profit after providing for depletion and depreciation is $100,000.

Mr. ILSLEY: I cannot give any answer unless I know what the history of the company is.

Mr. GREEN: It is a new company.

Mr. ILSLEY: Perhaps the hon. member could give me a little time so that I can supply an accurate answer.

Mr. GREEN: Very well, Mr. Chairman. Also the question was asked, what would the tax be on a straight 12 per cent excess profit basis, in that case?

Mr. ILSLEY: I will provide later a memorandum giving an answer to the whole thing.

Mr. HANSON (York-Sunbury): We are still on section 5. Subsection 2 sets up, in case of a depressed business, the limitation of profits with respect to standard profits, and provides:

> The standard profits ascertained by the board, as provided in subsection one, in the case of taxpayers mentioned in paragraph (a) thereof, shall not exceed an amount equal to interest at such rate as the board shall determine, not being less than five nor more than ten per centum per annum, on the amount of capital

of the taxpayer computed by the board in its sole discretion in accordance with the first schedule to this act.

I was not here in the last parliament, but it seems to me that this government committed itself to the principle of five per cent profit. Now, in the case of a depressed business, the government is raising it from five per cent to ten per cent. Why the change of heart? Is it considered that five per cent is too low? What was in the old excess profits tax act? There was an act anterior to that, was there not? In the last excess profits tax act, what was the provision with respect to this matter?

Mr. ILSLEY: Last September?

Mr. HANSON (York-Sunbury): I think so, yes.

Mr. ILSLEY: The provision last September was that there was an option to the taxpayer; he could take rate A or rate B. Under rate A five per cent was allowed for taxation, but if the profit exceeded five per cent and was not greater than ten per cent there was a tax of ten per cent of the amount over five per cent; if it exceeded ten per cent and was not greater than fifteen per cent there was a tax of twenty per cent on the amount over ten per cent; and so on, until twenty-five per cent was reached, when there was a tax of sixty per cent on the amount over that. In a sense parliament adopted five per cent as the fair rate of return. It will be noted that parliament did not enact that seventy-five per cent of the excess over ten per cent was to be taken.

Mr. HANSON (York-Sunbury): That is the other side of the picture.

Mr. ILSLEY: In the other excess profits tax act there was a tax which crept slowly on the company; it did not pounce on the company, as this does. So here, if the board determines seven per cent to be the fair rate having conditions in the industry and other circumstances in mind, then seven per cent on the capital is regarded as standard, and anything running over that in the taxation period is subject to taxation at seventy-five per cent. The two acts are not comparable, because one is graduated and the other is not.

Mr. ROSS (St. Paul's): I suppose the amounts of return of five per cent or ten per cent would depend on the amount of capital involved?

Mr. ILSLEY: No.

Mr. ROSS (St. Paul's): Then how would the board determine whether it is to be five per cent or ten per cent? What factors are to be taken into consideration?

Mr. ILSLEY: The only factor which occurs to me is the nature of the business. There may be other factors, but I should think that the predominant factor would be the nature of the business. For example, a public utility, where the business is stable and the market assured, would not deserve as high a rate of return as an extremely speculative mining venture.

Mr. ROSS (St. Paul's): I suppose, taking another case, a company with a small capital and a large turn-over would be entitled to ten per cent.

Mr. ILSLEY: It might.

Section agreed to.

On section 6—Deductions from profits allowed to corporations, et cetera.

Mr. GREEN: Would there be an allowance in the case of a company taking out insurance on the life of an officer, say the president?

Mr. ILSLEY: If the policy is payable to the company and the proceeds are taken in as revenue by the company, I would consider that that would be a proper deduction from the income. The case would have to be decided under the principles which are applied to the administration of the Income War Tax Act.

Mr. HANSON (York-Sunbury): Has the case arisen?

Mr. ILSLEY: Not to my knowledge.

Mr. HANSON (York-Sunbury): I think that is a correct statement.

Mr. GREEN: Would it make any difference whether or not the policy were placed before or after the coming into force of this measure?

Mr. ILSLEY: No, it would not make any difference.

Section agreed to.

Sections 7 to 10 agreed to.

On section 11—Payment of tax.

Mr. HANSON (York-Sunbury): Just what is the implication of this section? Was this in the resolution?

Mr. ILSLEY: Section 11, it seems to me, is much the same as a similar section in the Income War Tax Act.

Mr. HANSON (York-Sunbury): *Mutatis mutandis.*

Mr. ILSLEY: Yes.

Section agreed to.

Section 12 agreed to.

On section 13—Board of referees.

Mr. HARRIS (Danforth): Would the minister give us some idea as to who will constitute the board of referees or from whom he will draw the members of the board? Will they be men from his own department? Will there be someone from the Department of Justice?

Mr. ILSLEY: I assume that in all probability some or all of them will be taken from outside the service.

Mr. HANSON (York-Sunbury): That is the intention?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): I suggest to the minister that when the government comes to appoint this board a first-class chartered accountant should be one of the members. He need not be the chairman, but he should be a capable man.

Another suggestion I desire to make to the minister, and to his colleague who sits behind him and who no doubt will make a recommendation, is that one of the board should be a man of judicial capacity, one who is accustomed to weighing evidence and that sort of thing. I need not enlarge on that matter. This is going to be a very important board. From what the minister said on a previous occasion I take it that there may be more than one board travelling around, or at least that the board may be divided.

Mr. ILSLEY: It may be, yes.

Mr. HANSON (York-Sunbury): If there are many applications under this statute, if many cases are referred by the minister to the board—that is the procedure, I believe?—

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): —it will be necessary to have a more or less travelling board to go from one part of the country to another; that is, if the taxpayer is not to be obliged to come to Ottawa to make his case—and I do not think that, in a country as far-flung as Canada, it should be necessary that the taxpayer should come here, at great expense—the board might travel and arrangements be made to hear cases in a local centre, say, in each province. I view with a good deal of interest the setting up of this board of referees. There has never been anything in Canada quite comparable with it, has there?

Mr. ILSLEY: There was one provided for.

Mr. HANSON (York-Sunbury): But we have never actually set up a board of referees and therefore to a certain extent this is an experiment. I hope the minister will consider the suggestions we have made on this side of the house. I apprehend that a board like this, if it were actuated by anything but the highest motives and principles, could break a company very easily.

Mr. ILSLEY: Or favour a company.

Mr. HANSON (York-Sunbury): Yes.

Mr. ROSS (St. Paul's): Would there be an appeal from the ruling of the board?

Mr. ILSLEY: No.

Mr. MAYHEW: If there is to be only one board for the whole of Canada, they will take an endless time in getting a good many disputes settled. I cannot see why there could not be a small committee in each province acting more or less after the manner of a county court, with appeals from their decisions to the central body. The company's auditor, a government auditor, and some other person could settle a good many of the minor disputes. It would be awkward for anyone in British Columbia to bring his case to Ottawa or to wait for any considerable length of time for a final settlement. Many cases could be heard by men of lesser ability, yet capable of giving a fair and reasonable decision, so that only the major cases need be referred to the main body.

Mr. ILSLEY: The only objection to that suggestion is that undoubtedly there would be a lack of uniformity in the decisions. I suggest that the only means by which we could attain the objective the hon. member has in mind and at the same time preserve uniformity is to have a board divided into panels, the chairman keeping fairly tight control on decisions, so that there would be no lack of uniformity in the decisions. The hon. member for St. Paul's asked whether there would be an appeal and I said, no. That is technically true, but the minister has control over the decisions of the board, which is merely advisory to him. Any decision the board makes is effective only when confirmed by the minister.

Mr. HANSON (York-Sunbury): I do not think the proposal of the hon. member for Victoria, B.C. (Mr. Mayhew) is feasible, although it was made in the utmost good faith. A local board, especially if appointed politically—and of course this board will be appointed by the government—might have a political character and be open to local pressure, and that ought to be avoided at all costs in dealing with taxation. I can see a number of reasons why the minister's view is

sounder than that of the hon. member. I hope that this board will be composed of men of a high type. I have taken that view since first reading the resolution and I hope that principle will be adhered to.

Mr. HARRIS (Danforth): I could not hear the conversation between the member for Victoria, B.C., and the minister, one maritimer to another, but I gathered that this was a maritime complex, one understanding the other. We in the central part of Canada are not so much worried about having local boards to look after our local interests. We are satisfied to take the findings of the department and abide by them. I agree with the other hon. member from the maritime provinces, the leader of the opposition, that it would relieve the department of a good deal of difficulty if we refrained from having local boards in different parts of the dominion. I hesitate to endorse the principle of establishing another board in our federal administration. The other day I saw a return showing that there were 97,000 persons in the civil service of Canada. That is a tremendous number of people working to provide democratic administration for a country with a population of twelve millions. I have no doubt this board will be set up in due course, because when the Minister of Finance brings in a bill he does not often dot an "i" or cross a "t," unless the idea comes from the government itself. He rarely takes a suggestion from any other side of the house, although it must be said in fairness to him that he gives such suggestions serious consideration.

I still have confidence in the department. There are in it some valuable commissioners, men who are doing excellent work for Canada. Their work is largely delegated to deputies, and the men in the higher brackets, charged with a great deal of responsibility in the department, have their tasks so laid out that they could take on these responsibilities until the close of the war. This will be a department of government. The board itself will be setting up offices, and I suppose there will be a deputy, a grade 2 clerk, a grade 3 stenographer, messenger service, with push buttons, telephones and so on, and the char service must see that the knob is polished on the big door before the officials can take their place. I visualize the addition to our services of another fair-sized department. When we come to the excess profits tax, which the hon. member for Rosedale termed a shareholders' profits tax, this board will be travelling and those who want to discuss matters with the department will have to come to Ottawa.

[Mr. R. B. Hanson.]

At six o'clock the speaker resumed the chair and the house took recess.

After Recess

The house resumed at eight o'clock.

TRADE AGREEMENT

CANADA-DOMINICAN REPUBLIC—TABLING OF TEXT

Hon. J. A. MacKINNON (Minister of Trade and Commerce): Mr. Speaker, I would ask that the house revert to the order of motions, to enable me to lay on the table a copy of the trade agreement between Canada and the Dominican Republic.

PRIVATE BILLS

SISTERS SERVANTS OF MARY IMMACULATE

The house in committee on Bill No. 62, to incorporate Sisters Servants of Mary Immaculate—Mr. Lapointe (Lotbinière)—Mr. Fournier (Hull) in the chair.

Section 1 agreed to.

On section 2—Head office.

Mr. HANSON (York-Sunbury): I am not rising to oppose this bill, but I am wondering why it is necessary to come to parliament with a bill of this kind which has to do with operating schools in Edmonton, and so on. Perhaps the sponsor would give us a brief outline of the reason why this bill is here.

Mr. LAPOINTE (Lotbinière): This community has already been incorporated in three provinces, namely Alberta, Saskatchewan, and Manitoba. Now their activities are to be extended to other provinces, and they have seen fit to apply for a federal incorporation.

Mr. HANSON (York-Sunbury): In other words, they are interprovincial?

Mr. LAPOINTE (Lotbinière): Yes.

Mr. HANSON (York-Sunbury): Very good; that is a complete explanation.

Section agreed to.

Sections 3 to 9 agreed to.

On section 10—No liability for unauthorized acts.

Mr. HANSON (York-Sunbury): Will the chairman please read this section?

The ACTING CHAIRMAN (Mr. Fournier, Hull): The section reads:

> The corporation shall not be legally liable or responsible for anything done or undertaken by an individual member unless such action was duly authorized by the by-laws of the corporation.

Mr. HANSON (York-Sunbury): I am not going to oppose this, but I would point out that it limits the common law liability. I suppose that is why it is here.

Section agreed to.

Sections 11 to 14 inclusive agreed to.

Bill reported, read the third time and passed.

SAGUENAY TERMINALS LIMITED

The house in committee on Bill No. 50, respecting a certain wharf of Saguenay Terminals Limited—Mr. Dubuc—Mr. Fournier (Hull) in the chair.

Mr. HANSON (York-Sunbury): I should like the sponsor to give us some explanation.

Mr. LAPOINTE (Lotbinière): This company was originally incorporated as La Compagnie Generale du Port de Chicoutimi. In 1917 it built a wharf on its property, but did not obtain the necessary permit specified by the Navigable Waters Protection Act. Later an extension was added to the wharf, at which time the permit was obtained. Eventually when going through the titles the company found that it did not have the first permit and that the department did not have jurisdiction to grant it. They indicated that the only way to proceed in order to regularize themselves was to have a bill passed by this house.

Mr. HANSON (York-Sunbury): I think that is quite clear from the preamble. This is in the nature of *ex post facto* legislation. If the facts are as stated in the preamble and by the hon. gentleman, I think this is the only way whereby they could regularize their position. Has the Minister of Public Works anything to say about this?

Mr. CRERAR: I understand that it has been considered by the Department of Public Works, and they have no objection to it.

Mr. HANSON (York-Sunbury): All right; neither have I.

On section 1—Governor in council may approve site and plans of works.

Mr. HANSON (York-Sunbury): This means that they still have to go back to the governor in council for approval.

Mr. ROSS (St. Paul's): I should like to know more about this. Why do they have to have this bill?

Mr. CRERAR: The reason was given a minute ago.

Mr. HANSON (York-Sunbury): The reasons are given in the preamble. I think it is all right.

Section agreed to.

Bill reported, read the third time and passed.

THIRD READING

Bill No. 33, to incorporate the Stanstead and Sherbrooke Insurance Company.—Mr. Gingues.

EXCESS PROFITS TAX ACT, 1940

The house resumed consideration in committee of Bill No. 104, the Excess Profits Tax Act, 1940—Mr. Ilsley—Mr. Fournier (Hull), in the chair.

On section 13—Board of referees.

Mr. HARRIS (Danforth): When the house rose at six o'clock I was pointing out it was my feeling that our system of government was becoming badly cluttered up with boards of one kind or another, and that this procedure had had the tendency of lessening ministerial responsibility. The minister in charge of the Department of Finance is bound round by statute after statute and, in days gone by, I have seen the minister in charge of that department sit back and let the statutes, as they stand, take care of practically the whole department. Rarely did he give consideration to any matters coming to his attention which were not strictly within the confines of the rules and regulations laid down by the statutes. The net result was that a qualified minister had very little to do in matters of policy and in giving consideration to representations made to him.

I am strongly of opinion that the present minister, a new minister, and a capable, qualified and estimable gentleman who is anxious to get on with his work, might go beyond the staff immediately surrounding him. He might go not only to the commissioners in Ottawa, but to the inspectors at different ports across Canada, who are a high type of men. They are highly qualified to perform some duties, and he could give them something to do. Why do matters coming to their attention, in their individual ports, have to be sent to Ottawa in order that rulings may be obtained? Some of the brightest men in Canada are in the civil service to-day, but those bright minds have no scope or opportunity to do a job for this country. They have to send to Ottawa in order to find out whether what they do is satisfactory.

For example, if in the port of Montreal the inspector of income tax wants to employ a few clerks or accountants to look after the national defence tax, or to administer some part of the act, he will state that he wants a grade 2 or a grade 1 clerk, as the case may be. He will send a list of five names to the minister,

and the minister in turn hands that list to his political secretary. The political secretary may pick out No. 3 on the list, and as a result No. 3 gets the job. In other words, the inspector of income tax in the port of Montreal is relieved of any responsibility. All responsibility is held in Ottawa.

It is now suggested that a board of referees be set up to administer a small part of a more or less temporary measure. Once that board of referees is established, we shall not get rid of them. They will be here, and they will draw their pay. Others will be ready to succeed them. They will be taken out of productive enterprise in Canada. They will not be serving the nation or expanding Canada's production. These will be bright minds put to one side to administer a small portion of the measure.

The Minister of Finance who introduced the budget, and who is now Minister of National Defence stated that he wanted everybody in production to expand Canada's national income from $3,800,000,000 to $4,500,000,000. Yet in the present instance the government is taking bright minds out of production, and placing them in non-productive enterprise. It is going even further than that. The very fact that a board of referees is being set up invites those who think they might escape taxation to come before the board. Industries and corporations throughout Canada will be hounding the board for special consideration. On the other hand, if the matter were left with the commissioner, who is well able to shoulder that responsibility, and to the inspectors, I believe the condition would be better. The hon. member for Victoria, B.C., (Mr. Mayhew) pointed out that there should be some local responsibility. Let the inspector in Victoria have some responsibility. Let him make out a report as to whether or not this should be such and such, or whether something should be done. Do not shift the responsibility from the inspector in Victoria to a board of referees in Ottawa. If what I suggest were done, deputies across Canada would have some measure of responsibility. The Minister of National Revenue would have some responsibility in connection with the conduct of his department, and he would not sit back and rest on the findings of a board of referees.

If there must be a board, then let there be one and one only. Do not split that board into a half a dozen panels and have them sitting here, there and everywhere. Do not have them travelling across Canada five or ten times a year. The tax is payable only once a year, and the trip should be necessary only once, if the department insists upon having a board.

[Mr. J. H. Harris.]

The training which the Minister of Finance has had in the Department of National Revenue leads me to the belief that this section will carry, as is, without any change, and I can visualize a board being set up. But if there must be one, then let it be a small one of, say, only two men, one of whom might be a chartered accountant and the other having a judicial mind. Let those two men cross Canada. Increase the responsibility of the individual inspectors across Canada. This could be done because the tax is only exigible once. They could then spend the major portion of their time here in Ottawa. Very few of those in industry who are paying this tax will be able to stay away from Ottawa, the way we are regimented now. They will be here every two or three months. Let them carry an extra docket in connection with this particular item. We should try to have the minimum number of cases heard across Canada, and we certainly should not invite more cases by setting up a board of referees as is suggested in this bill. Apparently this section is going to carry, but I hope an effort will be made to keep the cases down to a minimum.

Over 13,000 people have volunteered their services in any capacity. Many of these are retired business men or professional people, well able to do work of this kind. If use could be made of their services for the duration of the war, it would give the public some idea that this is only a temporary measure. I am sure these people will be willing to render some service to Canada by taking on this work. I offer this suggestion to the minister. I am sorry to see so many of our people being taken out of productive enterprise and added to the civil service. I am sorry to see some of the brightest minds in Canada in the service when they ought to be producers. I hope the ministry will see that fewer of these boards are established. I wonder where we are heading when I consider the 100,000 people in the dominion civil service, the other thousands in our provincial and municipal services, and all their dependents.

Section agreed to.

Section 14 agreed to.

On Section 15—Discretion given treasury board.

Mr. HANSON (York-Sunbury): Will the minister explain this section?

Mr. ILSLEY: This is similar to the section in the Income War Tax Act.

Section agreed to.

On section 16—Coming into force.

Mr. HANSON (York-Sunbury): I suppose there is to be no limitation of time in connection with this?

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): If it is intended as a war measure, should there not be some provision as to time limitation? I realize that it will be some years after the war is over before operations under this measure are wound up, but I do hope we may get rid of this legislation some day. Does the minister not think some limitation of time should be in the bill?

Mr. ILSLEY: I think it would be better to leave it to be repealed when the war is over, and when the need for the legislation no longer exists. I am informed that the act passed during the last war did have a time limit, but I do not see any reason why we should not pass this bill and then repeal it.

Mr. HANSON (York-Sunbury): It would give the statute the appearance of a war measure if it were definitely stated that its application was not to apply beyond a certain stated time, say, three years after the declaration of peace. I think that ought to be done. If it is not repealed it might prove an invitation to some government to keep it going forever. We might get into such a state financially because of a heavy burden of debt that we would want to keep something like this, but if we do, there would be no point in asking people to try to make money in industry. If the government is going to take all the money, they just will not repeal the statute. I forget the time provision in the last act, but it seems to me that principle was sound.

Mr. ILSLEY: The last act was called the Business Profits War Tax Act. It did not run three years after the end of the war.

Mr. HANSON (York-Sunbury): I am only making the suggestion.

Mr. ILSLEY: It had to be extended. I am informed that the British act does not contain any date of termination, and that might be considered as a precedent. Parliament can alter the provisions of this legislation because there is nothing contractual or binding in any of the provisions.

Mr. HANSON (York-Sunbury): It is a question of policy.

Mr. ILSLEY: This legislation can be repealed at any time. Our discussion has been based upon the assumption that it is desirable to tax these excess profits because of the war. I would anticipate that we shall get rid of it just as soon as we can after the war is over, and I think industry understands that.

Mr. HANSON (York-Sunbury): Why should it not be made to apply for the duration of the war and a reasonable time thereafter? I think that is a sound principle, notwithstanding what they have done in Great Britain. The situations are not comparable because they have no company income tax in England. They are taking all the excess profits for the duration, but the positions are not the same. I think the minister ought to give consideration to adding a section stating that this legislation shall expire, say a year after the close of hostilities.

Mr. ILSLEY: No one knows what the conditions are going to be after the war.

Mr. HANSON (York-Sunbury): That is only evading.

Mr. ILSLEY: No, it is not. This country may be armed to the teeth for a generation. The future is so uncertain that it cannot be visualized.

Mr. HANSON (York-Sunbury): My colleague has just made what I consider to be a strong point. If this measure is left undetermined as it is now, it may prove a convenient method of obtaining revenue for the country. I press the point because I think it is worth while. If the statute were made to apply for a year after the cessation of hostilities and it was then found necessary to extend the time, this would raise the whole issue again in the light of conditions as then existed. The whole matter would really be opened up for reconsideration. The minister is adamant about most things, but I think this is one case where he could yield to a suggestion from this side of the house.

Mr. ROSS (St. Paul's): I agree with the leader of the opposition. I have gone through the bill very carefully, and I can see nothing but trouble ahead for the government and the officials of the department. We are going to be saddled with a flock of people who will be needed to straighten out the difficulties we are bound to get into. I think the whole bill is badly drawn. It shows a lack of thought and a lack of judgment. The money could have been raised in a much better way. Just as I said with regard to the graded income tax, we might have put a graded tax on the share profit or something of that kind. But here we are leaving all kinds of things to a board of referees. We are going to have nothing but trouble.

I also agree with the leader of the opposition when he says that the bill should remain

in force for a definite period only, at the end of which time it should come under review. I cannot express myself too strongly about this whole situation. We have been told time after time that this bill follows the British practice and all that kind of thing. It does not. This is nothing more or less than a shareholder's tax. Not only that, but the way the tax is applied it will crush initiative. Again, some people are to be allowed a certain amount of leeway and others not. A graded tax on the share profit made by these companies would avoid all the difficulties I have mentioned. We would have something clear-cut before us and the department would then have no trouble in enforcing the provisions of the measure. As it is, many judicial committees will have to sit; there will be all kinds of pull exercised, and everybody knows what will happen. I repeat, the legislation should remain in force for a specified period only. It should not be indeterminate.

Mr. ILSLEY: I regret that I appear to be giving an impression of stubbornness to the committee. I did adopt two or three suggestions of hon. gentlemen opposite. One was in reference to non-commissioned officers and men not being subject to the national defence tax.

Mr. HANSON (York-Sunbury): That was a gigantic thing.

Mr. ILSLEY: A considerable amount running into millions of dollars of revenue was involved in that concession, and an unknown sum in the future. But we are talking now about this particular section. I really think the drafting of an amendment such as is suggested would call for quite a bit of consideration.

Mr. HANSON (York-Sunbury): I will do it in ten minutes.

Mr. ILSLEY: The hon. gentleman will do it in ten minutes, but with all due deference I would want to look over it for at least another ten minutes.

Mr. HANSON (York-Sunbury): All you have to do is to say, "This act shall expire at a date twelve months subsequent to the declaration of peace," and in the meantime the legislation would be in operation and collections be made.

Mr. ILSLEY: I do not know what my hon. friend would do about the fiscal period in the midst of which the measure expired. There is a carefully considered provision here with regard to the division of fiscal periods and the apportioning of profits for fiscal periods. All these matters have to be carefully considered.

Mr. HANSON (York-Sunbury): That could be covered by a tax on the profits for the three months' period as shown by the books of the company.

Mr. ILSLEY: Important questions arise with regard to these matters. But I come back to this: We know nothing about what conditions are going to be like in this country at the end of the war, and I think the only sensible thing to do would be to make the legislation run for three or four years certain and then extend it. Parliament can terminate it by its own act at any time, and whatever we might do here to-night cannot bind future parliaments.

Mr. HANSON (York-Sunbury): If the occasion arises for extending the measure, then the whole situation would be under review, but if no limitation is put in here, the measure will run on *ad infinitum* for the rest of our lives and the lives of our children. I leave it to the Minister of Mines and Resources (Mr. Crerar). I ask him if he thinks as a business man that this legislation should be indeterminate. It is not right.

Mr. CRERAR: As my hon. friend has invited me to express my opinion, I do not think there is any great weight in the point he makes. Parliament is always supreme.

Mr. HANSON (York-Sunbury): The government.

Mr. CRERAR: There is nothing to hinder my hon. friend or any other member from raising this question twelve months from now and seeking to have the measure changed.

Mr. HANSON (York-Sunbury): How would he do it?

Mr. CRERAR: By a resolution moved by a member.

Mr. HANSON (York-Sunbury): It would only express a pious hope and the government could throw it out of the window. It could not be done unless the government itself moved the resolution. Nobody knows that better than my hon. friend, and if he does not know it he should not be where he is.

Mr. CRERAR: I thank my hon. friend for the compliment.

Mr. HANSON (York-Sunbury): The minister does know it.

Mr. CRERAR: Parliament is responsive to public opinion. No one in the house wants to wreck business. This measure has found favour throughout the country.

Mr. HANSON (York-Sunbury): As a war measure.

Mr. CRERAR: As a war measure.

Mr. HANSON (York-Sunbury): Right.

Mr. CRERAR: No one knows how long the war may last or what conditions in this country may be when the war is over. I come back to what I said a moment ago, that it is always within the competence of parliament to reopen these questions and to amend the law if a change is desired.

Mr. STIRLING: May I ask the minister how long it took the people of England to get rid of the Defence of the Realm Act known as D.O.R.A. We know perfectly well the strife that went on year and year and year after year until only a few years ago D.O.R.A. was finally buried. This is a similar case.

Mr. SLAGHT: Does the hon. member not realize that that is what the people of England wanted?

Mr. STIRLING: That I did not follow, Mr. Chairman.

Mr. ROSS (St. Paul's): I think there should be a limitation on the length of time this bill is to remain in force so that the opposition in this house will have an opportunity to review it, and the only way in which that can be done is to fix a definite period for the operation of the measure. Otherwise the matter may never be brought up again.

Mr. HANSON (York-Sunbury): Once more on behalf of business in this country which wants to know where it stands so that it can feel free to go ahead and make capital investments and embark on new enterprises, I plead with the minister to limit the period of the operation of this legislation. Surely that is in the interests of business itself, which next to agriculture is the lifeblood of the country. I am serious about this. We have expedited this bill; and I would ask the minister if he would consult his colleagues. He could ask leave for the committee to rise and report progress and come back to-morrow when a decision could be given on this point. Surely that would give the minister time to consult his colleagues and so avoid assuming a personal responsibility which naturally he does not want to accept offhand. I suggest that that is what should be done. If it is the united opinion of the executive that this limitation should not be in the bill, we shall have to bow to their decision.

Mr. ILSLEY: I think that is a reasonable request. I may say that this is the first representation to that effect that we have had.

Mr. HANSON (York-Sunbury): Well, we got the bill just a day or two ago. I got it on Saturday.

Mr. CRERAR: The hon. gentleman has had it ever since the budget came down.

Mr. HANSON (York-Sunbury): Excuse me, we had no such thing. There is nothing like this in the resolution, and all the discussion has been on the resolution. This bill came to my desk on Saturday, at noon, when I was about to try to have a little breathing space over the week-end. I got all five bills at once; I was able to read some of them; but I tell the minister honestly that until this evening I did not know of the existence of this section.

Mr. ILSLEY: I was going to say that the act of last September did not contain any such provision, and apparently, although business men and industrialists have been making representations almost continuously about this measure to the Department of Finance, it never occurred to any of them that a provision of this sort would be desirable.

Mr. HANSON (York-Sunbury): Of course that is not what they were interested in. They were interested in the question of taxation. I came here last October to find out about the excess profits tax, and we were told by the young gentleman who sits in front of the minister to forget about the statute, that we were going to have a new one; so we took about three minutes discussing the matter, because I was quite satisfied that that is what the commissioner would recommend in the end.

Mr. ILSLEY: If the hon. gentleman asks that this section shall stand until to-morrow, that will be all right. I suggest that we should pass the other sections if we can.

Mr. HANSON (York-Sunbury): That is fair enough. I am agreeable.

The ACTING CHAIRMAN (Mr. Fournier, Hull): Section 16 stands.

Mr. HANSON (York-Sunbury): And the minister will promise me that the government will take this suggestion into consideration?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): That is fair.

Section stands.

Section 17 agreed to.

On the first schedule—Capital employed at beginning of period.

Mr. HANSON (York-Sunbury): I have read over this list of what capital includes and what it shall be subject to in the way of

deductions. It seems to me that this has been fairly carefully drawn, but I should like to know whether, from an accounting point of view, it has been submitted to reputable accountants, either in the department or elsewhere. Does it include in both categories all those things which ought to be included, in the one case as capital, in the other case as deductions from capital which should be allowed? It seems to me to be quite comprehensive, but I am not certain that everything is included that should be included.

Mr. ILSLEY: It has been submitted to chartered accountants, both in the department and outside. It has been discussed for a very long time. I may say for the information of the committee that for a considerable time during the preparation of this measure it was contemplated that we would take share capital as the test of the capital. Share capital is a liability, or is regarded as such by accountants; it is not regarded as an asset; and so many qualifications had to be added to share capital—

Mr. HANSON (York-Sunbury): As a standard?

Mr. ILSLEY:—as a standard, that eventually we decided to discard share capital as the basis. If hon. gentlemen will look at the act of September last or the act passed during the last war, they will find that share capital was taken as the basis of the determination of capital within the meaning of the act. Finally that was completely discarded.

Mr. HANSON (York-Sunbury): Under advice?

Mr. ILSLEY: Oh, yes, the most expert advice, and after a great deal of discussion. The basis of this is net assets.

Mr. HANSON (York-Sunbury): That is about right, if you have all the additions and deductions that should be there.

Mr. ILSLEY: I think they are all there.

Mr. HANSON (York-Sunbury): This would appear to me to be a truer conception of what should be the basis.

First schedule agreed to.

Second schedule agreed to.

The ACTING CHAIRMAN (Mr. Fournier, Hull): Shall I report progress?

Mr. HANSON (York-Sunbury): Just before you report the bill, Mr. Chairman, is the first schedule, paragraph 3(c), debts and borrowed money, sufficiently comprehensive to take care of all the liabilities of that kind? It takes in everything except the amount of indebtedness represented by income bonds or income debentures, and I am just wondering why, if they represent an indebtedness, that should not be allowed too. There is a point there on which we might have a little explanation.

Mr. ILSLEY: These income bonds and income debentures are not treated as bonds proper are treated. That is, they are not regarded as debts so much as they are deemed to be shares; they are treated more as shares are treated than as bonds are treated; and therefore, as we do not allow the interest as a deduction, we do not think these should be regarded as debts.

Mr. HANSON (York-Sunbury): My impression is that sometimes income bonds or income debentures are issued by companies which have been in financial difficulties—in the parlance of the street, have "gone through the wringer"—and are issued to classes of creditors whose holdings might have been a senior security and who under the terms of the reorganization have to take something in the nature of a junior security. Income debentures are always a junior security. Originally they did represent real money and real indebtedness. Because of the exigencies of the occasion and the reorganization of the company, these income debentures are issued as a sort of sop to a real creditor. The government is now not giving any effect to that. But it may represent capital, and I think it should be a proper deduction.

Mr. ILSLEY: If the hon. gentleman would look at section 6, subsection 1, pargaraph (k) of the Income War Tax Act, the whole situation will become plain on a little reflection. The income bonds and debentures to which he refers are regarded as debts that we do allow under section 6, subsection 1, paragraph (k) of the Income War Tax Act.

Mr. HANSON (York-Sunbury): What are these, then?

Mr. ILSLEY: These are others, and it says so here; the section reads:

> . . . the amount of indebtedness represented by income bonds or income debentures, the interest on which is not allowed as a deduction under paragraph (k) of subsection one of section six of the Income War Tax Act.

Mr. HANSON (York-Sunbury): I wish I had one of these $19,000 a year counsel to advise me. I have not been able to look up the Income War Tax Act, and I stand corrected by the minister. If they are in the category I suggest, they should be allowed, but I confess I am not familiar with the type of income debentures to which he is referring. I do not really know what they are.

Mr. ILSLEY: I could read the section here.

Mr. HANSON (York-Sunbury): Perhaps the minister would do so. I am glad I do not have any of these bonds. They are not much good.

Mr. ROSS (St. Paul's): In the light of this whole bill, I am inclined to advise any young man looking for a job at the present time to get into the income tax advisory business: he should be able to make plenty of money.

Mr. GREEN: Will the minister answer the question I asked this afternoon regarding the taxation of gold mining companies.

Mr. ILSLEY: The hon. gentleman asked me this afternoon what the excess profits tax would be on a new gold mining company with a capital of $500,000 and with profits of $100,000, producing 10,000 ounces of gold. He also gave figures with regard to depletion and depreciation, which are not relevant. The amount of the capital is not relevant either. The company is a new gold mining concern. The excess profit would be $3.50 an ounce, because the comparison that is made is between this new company and a company which is assumed to be in existence and selling gold at $35 instead of $38.50.

Mr. GREEN: Assumed to have been in existence.

Mr. ILSLEY: I am putting it that way. That is the way the excess is arrived at. Ten thousand ounces at $3.50 is $35,000. That is the excess which is taxed. In the first place, there is the 18 per cent income tax on that, which is $6,300; $6,300 must be subtracted from $35,000, leaving $28,700. Seventy-five per cent of $28,700 is $21,525. That is the excess profits tax which applies to the earnings of that mine; but in addition there is the income tax payable on $100,000, provided it is not subject to the exemption in section 89 of the act. It may be, but if it is not the income tax will be $18,000 which, added to $21,525, comes to $39,525, which would be the total tax on the earnings of the mine. The reason why 75 per cent of the excess is taken instead of 12 per cent of the income is that the former is the greater. As the hon. member knows, we take the greater of the two, and 12 per cent of $100,000 would be only $8,000 odd, while 75 per cent gives $21,525.

Mr. HANSON (York-Sunbury): The minister has referred me to paragraph (k) of subsection 1 of section 6 of the Income War Tax Act. This is under the heading, "deductions from income." It is provided:

> In computing the amount of the profits or gains to be assessed, a deduction shall not be allowed in respect of—
>
> Dividends on income bonds or income debentures.
>
> The distribution of earnings by any corporation to holders of its income bonds or income debentures. Provided, however, in cases where such income bonds or income debentures have been issued or the income provisions thereof have been adopted since 1930, in consequence of an adjustment of previously existing bonds or debentures bearing an unconditional fixed rate of interest, which adjustment, to the satisfaction of the minister, was occasioned by financial difficulties of the debtor corporation or its predecessor and was intended to afford some relief to the said debtor corporation or its predecessor, then the provisions of this paragraph shall not apply.

That is allowable under the overriding provisions, but what class of income bonds or income debentures does the minister refer to as coming within the purview of paragraph (k) of subsection 1 of section 6? If the company issues income debentures and sells them to the public, conditionally upon income being earned, that money goes into its treasury and is used in its operations. It is like borrowed capital but is contingent upon the income being earned and paid out of earnings. I do not want to pose as an expert, which I am not, but I should like to know why income from these debentures should not be taken into account as a deduction in the operations of the company. They have to pay it out of earnings, and if they do not earn it they do not pay.

Mr. ILSLEY: I may not be precise or accurate about this, but I think the explanation is this: Let us think of two words, shares and bonds. We know that dividends on shares are not regarded as expenses of the company in arriving at the income of the company.

Mr. HANSON (York-Sunbury): They are the result of income.

Mr. ILSLEY: Yes. On the other hand, interest on bonds is deductible from income of the company in arriving at the taxable income of the company. There is an intermediate doubtful class of securities called income bonds or income debentures. Some of these are treated for taxation purposes as if they were shares and some are treated as if they were bonds.

Mr. HANSON (York-Sunbury): How in the world can an obligation like a bond or a debenture be so treated? A bond is an evidence of debt and it may be secured; a debenture is an evidence of debt and usually is not secured by trust deed or some other charge on fixed assets. They are both debts.

Mr. ILSLEY: Oh, no. They are not debts as to the income.

Mr. HANSON (York-Sunbury): Not debts in relation to the income. The income is contingent, but the body of it is capital. The

minister is talking about deductions. It is borrowed money and on the general strength of that statement they ought to be allowed.

Mr. ILSLEY: No.

Mr. HANSON (York-Sunbury): I will not labour the matter.

Mr. ILSLEY: The hon. gentleman sees the point; that is why he does not want to labour it.

Mr. HANSON (York-Sunbury): You think I am trapped.

Progress reported.

DEBTS DUE THE CROWN

DEDUCTION FROM SALARIES OF FEDERAL EMPLOYEES RESIDENT IN PROVINCES OF PROVINCIAL TAXES COLLECTABLE BY DOMINION

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 99, to amend an act respecting debts due to the crown.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Fournier (Hull) in the chair.

On section 1—Indebtedness in respect of certain provincial taxes.

Mr. HANSON (York-Sunbury): We are now income tax collectors for the provinces. That is the idea, is it?

Mr. ILSLEY: For some of the provinces.

Mr. HANSON (York-Sunbury): And now we are undertaking to use the machinery of the federal authority in order to collect these debts. We were receivers of taxes; now we are to be collectors of taxes. We are taking a long step in this bill, are we not? I do not know that we should do this. I object to this sort of thing. We had an arrangement whereby we collected income tax for the province of Ontario, and, I suppose, some of the other provinces that have income taxes, in order to avoid a multiplicity of officials. Now we are to become collectors of taxes and to employ all the duress and oppression of the tax collector in order to hand over the money to Mr. Hepburn. I object to the principle; that is all I am going to say about the matter.

Mr. ILSLEY: I do not think it would be particularly creditable to us to allow our own employees—and those are the only persons to whom this bill applies—to defy us, whether we are collectors or receivers. Whether we are collecting taxes for the province or for ourselves, that should not be permitted. In one of the provinces there are quite a number of federal employees who have not paid and apparently will not pay the taxes due that province. They are protected from garnishee proceedings because they are servants of the crown, and there is no machinery under which the taxes can be collected except something of this kind. I think it is only consistent with rectitude and proper dealing for such steps to be taken as must be taken to make these federal civil servants pay the taxes they owe.

Mr. HANSON (York-Sunbury): All right; then why not go the whole distance and take authority to collect for the grocer, the butcher, the baker and the candlestick maker? You see where the principle leads. You are going to collect the income tax of the province of Ontario from federal civil servants, but you are not going to help out the butcher and the baker who probably need the money a great deal worse than the province needs it.

Mr. ILSLEY: The situation I mentioned is not in Ontario.

Mr. HANSON (York-Sunbury): Perhaps I should not have used the word "Ontario," but I do not care where it is; the principle is exactly the same. The government is becoming a tax collector for another jurisdiction, and handing over the money to that jurisdiction. I object to the principle. I shall content myself with that, because I want to get rid of the bill.

Mr. STIRLING: What provinces are involved and what taxes are being collected?

Mr. ILSLEY: The situation arose in Manitoba, but of course the statute applies to all the provinces for which we are acting as collectors of their taxes. Those provinces are Ontario, Prince Edward Island and Manitoba.

Mr. STIRLING: Those are the provinces in which these taxes have been collected?

Mr. ILSLEY: We have agreements with those three provinces.

Mr. HANSON (York-Sunbury): What about the converse of the case? Will the provincial governments collect the national defence tax from their employees?

Mr. ILSLEY: I do not know.

Mr. HANSON (York-Sunbury): You see, that is the converse of this proposition. Are they to do that for the federal treasury? You cannot garnishee their salaries for the national defence tax.

Mr. ILSLEY: I think they will do that. I am not sure.

Mr. HANSON (York-Sunbury): You think they will, but do you know?

Mr. ILSLEY: No, I do not.

Mr. HANSON (York-Sunbury): You see where this thing leads. What is to happen to the country if everyone is to become a tax gatherer? We are all taxed. Everything we eat is taxed; everything we wear is taxed, and there is no place we can go to escape taxation, unless it is Timbuctoo. I think I shall have to go down to Nassau and join Sir Harry Oakes. That is the only thing left to be done.

Section agreed to.

Bill reported, read the third time and passed.

PENITENTIARY ACT

REMOVAL OF CONVICTS FROM YUKON AND NORTHWEST TERRITORIES TO GAOLS OR PENITENTIARIES IN THE PROVINCES

Hon. P. J. A. CARDIN (Acting Minister of Justice) moved the second reading of Bill No. 30, to amend the Penitentiary Act and the Penitentiary Act, 1939.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Fournier (Hull) in the chair.

On section 1—Subsections repealed and reenacted.

Mr. CARDIN: The object of this bill is very simple. It has to do with the transfer of convicts from the Yukon and Northwest Territories to gaols in the provinces.

Mr. DOUGLAS (Weyburn): Has the commission for which provision was made in the Penitentiary Act last year been set up, or have any steps been taken to implement that proposal?

Mr. CARDIN: No, not yet.

Mr. DOUGLAS (Weyburn): Is the minister in a position to say why.

Mr. CARDIN: I shall have to ask the Minister of Justice to answer my hon. friend.

Section agreed to.

Bill reported.

ROYAL CANADIAN MOUNTED POLICE

COMPENSATION FOR INJURY BY ACCIDENT—STATUS OF PENSIONERS REENGAGED IN EMERGENCY

Hon. P. J. A. CARDIN (Acting Minister of Justice) moved that the house go into committee to consider the following resolution:

That it is expedient to introduce a measure to amend the Royal Canadian Mounted Police Act to provide statutory authority for rates of compensation to members of the force injured by accident, and for the payment of expenses under the act out of any unappropriated moneys in the consolidated revenue fund, and to cover the status of pensioners who may be reengaged by reason of the existence of a national emergency.

Motion agreed to and house went into committee, Mr. Fournier (Hull) in the chair.

Mr. HANSON (York-Sunbury): Would the minister explain the reason for the proposed legislation?

Mr. CARDIN: This resolution provides for the introduction of a bill to amend the law governing the Royal Canadian Mounted Police. On account of the situation created by the war, more particularly, the commissioner of the mounted police is of opinion that it is necessary to reengage into the active service of the force a certain number of pensioners of the Royal Canadian Mounted Police. If those pensioners are brought in, a rearrangement will have to be made with regard to their pensions.

The proposed measure will also provide for the disposition of certain moneys given to the force. I refer to gifts, for example, being given by certain people to the mounted police. Under the existing law the minister has not the authority to place the money in the funds of the mounted police.

Mr. HANSON (York-Sunbury): Is that what is meant by the words "to provide statutory authority for rates of compensation to members of the force injured by accident"? Surely that is not so?

Mr. CARDIN: No. As the law stands at present, members of the mounted police who are injured by accident are compensated under authority of an order in council. The legislation proposed will regulate the situation and provide that instead of having compensation paid through an order in council, it will be paid through statutory authority.

The bill will also give authorization to the mounted police authorities to negotiate agreements with the municipalities. At the present time the mounted police may make agreements with the provinces for the policing of those provinces. The proposed legislation will empower the minister, under authority of the governor in council, to make arrangements with municipalities. It is intended to extend to municipalities the advantage of having the mounted police replace local police systems. I am informed that already the mounted police are operating at Flin Flon, and in another western town. This legislation, therefore, will provide the necessary authority to permit the making of agreements not only with the provinces but with the municipalities.

At the same time it will provide for taking into the mounted police force those police forces already existing in municipalities, and it will provide for the pensions of those provincial or municipal police officials.

I am informed by the Department of Justice that it is not the intention to develop to any great extent the policy of making agreements with the municipalities. However, in view of the fact that in one or two localities the mounted police are giving service, it is desired to have the power to extend those facilities to other municipalities when it is thought advisable, and when circumstances justify.

Mr. BROOKS: Do the pensioners who are coming back retain the ranks they held prior to the time they became pensioners? If so, is it anticipated that the ranks of men at present in the force will be changed? It has been rumoured that there has been some dissatisfaction in that connection, and I was wondering if the minister knew anything about the matter.

Mr. CARDIN: The hon. member will realize that such a situation may not have been brought to my attention. It will be understood that I am acting only in the absence of the Minister of Justice. However, the pensioners now returning to active service in the force will be subject to the regulations and conditions established by the commissioner. I feel quite certain that the present members of the mounted police force will not be prejudiced by the return to service of the pensioners.

Mr. ROSS (St. Paul's): This resolution has my hearty support. Anything we can possibly do to help the Royal Canadian Mounted Police, or to make it a more efficient force, would certainly have my approval. In the last little while, in fact for the past couple of years, I have had something to do with that force, and I do not believe there is any finer force of men in this world. I heartily approve the way in which they operate. They have a tremendously difficult job to handle at the present time, and they deserve every help we can give them.

One has to know them a little bit to realize what a fine body of men they are. From day to day their occupations are becoming more hazardous, and I believe we should give them every credit for what they do. Certainly they are living up to their record, one which they have built up through the years.

They have a very difficult job to do. They have to discriminate; they have to be politic; they have to use careful judgment, and must show a high degree of efficiency. When we realize that in Canada we have about 2,500,000 new Canadians, we must understand the job of the mounted police has become more important and more difficult. When it is understood that of the new Canadians at least seventy per cent are loyal, and that it is the job of the Royal Canadian Mounted Police to sort out those who are loyal from those who are disloyal, the magnitude of the task becomes evident. The police must see to it that those who are loyal are not persecuted, and I believe they are doing a marvellous job along those lines. I happen to know that, myself, and I cannot give them too much praise for what they are doing.

We must be careful in Canada not to permit that seventy per cent of our new Canadians to be driven into the arms of the fascists or the nazis, something which may be done very easily. For instance, there are some people who will say of their fruit dealer: "I am not going to deal with him any more, because he is an Italian." I have many of those Italians in my constituency, and they are just as loyal as they could be. But that is the sort of thing which will drive them into the arms of the nazis and the fascists, and because of that we must be most careful.

I repeat that there is not a finer body of men in the world than the Royal Canadian Mounted Police. The knowledge they have respecting subversive elements in Canada is only now coming to light. I wonder if the government really appreciate the tremendous dangers which exist in connection with vital points in Ontario and Quebec. Situated in several smaller points throughout those provinces we find the very lifeblood of our hydro-electric and power facilities. That is something we should look after. When we are attempting to build up our industries I think we shall find, once we get into real production, that the chances for sabotage will be increased. We must remember that the Royal Canadian Mounted Police cannot do all this work. There should be some help from the dominion government. Looking after these places should not be a provincial job. There are tremendous manufacturing plants in Ontario and Quebec which depend upon hydro-electric power for their operations, and the opportunity for sabotage is considerable. Sabotage would be quite easy, and there should be direction by the dominion government to guard against this peril. There should be cooperation between the mounted police and the provincial police. We shall need more guards to take care of these places. A mere handful of men cannot take care of the Chippawa development, of the power line and all that goes with it from the Gatineau to Toronto, from Niagara Falls to Toronto or from Beauharnois to Montreal. These men should be well armed to be able to take care of the situation.

The mounted police know what the situation is; they know it is this divided authority that is getting us down. There should be a single authority in connection with this matter. The other day the Minister of National Defence for Air said that we had police, but they are still going to be police; we have soldiers, but they are still going to be soldiers. I quite agree that we do not need martial law, but there should be some authority capable of taking care of these vital points. If a couple of sticks of dynamite were exploded in certain places in Toronto the whole city would be put out of business. If certain substations were put out of operation the results would be tremendous. We should have more guards and they should be armed. It is no use having men armed with bows and arrows or something like that, guarding these places. They should be prepared to shoot because that is what the other fellows will be ready to do.

As I said before, the mounted police are doing everything they can. They are a fine body of men and they have told us what we must expect. I ask the government to keep busy on this matter and realize that this job of guarding these provincial plants should not be considered as a provincial proposition. We must give the provinces assistance. Troops should be ready at a moment's notice to take care of these vital spots. I have the greatest regard for the Royal Canadian Mounted Police; I know what they are doing and that they are living up to the old record they have always had.

Mr. CHURCH: This particular matter was before the committee last year when the estimates of the Minister of Justice (Mr. Lapointe) were being considered. We all regret that he is not with us to-night, the gifted patriot that he is, beloved by the people of this country. I regret having to say anything at all, because he has been so kind to me. I have pointed out before, the number of federal acts and statutes which must be enforced by the civilian police forces of this dominion. A policeman in Toronto was shot and killed when executing a federal order. His wife and children had nothing, and the result was that the police commission established a widow's and orphan's fund which is supported by an annual beauty show and other things of that kind, which have very doubtful support in days like these of war when we do not know who may soon own this country. As the minister said, we have a great organization in the mounted police. They are respected and honoured throughout Canada for real worth and service to our dominion. If a member of that force is injured or meets with an accident in the discharge of his duty he receives no pension, which situation is being corrected by this legislation.

The principle of this resolution should be extended to all police forces, provincial and civic, which have to do with the enforcement of federal law. If so, it would cost only a trifle. These laws must be enforced by the municipal police systems. This resolution is not wide enough. I agree with its principle, but that principle should extend to the whole police system of Canada. The police forces of our municipalities should be part of a federal plan to pay pensions to all systems that suffer by law enforcement. They have to do with internments and many other federal matters in peace and war alike, and the enforcement of all law. The provincial and municipal authorities should be paid their out-of-pocket costs for enforcing federal laws, and there should be pensions for the dependents of those who die. When a policeman is shot enforcing a dominion statute, such as a revenue or customs law, or some military matter, his widow and children should be taken care of. Last session the Minister of Justice promised that he would have a survey made. I am not opposing the resolution because I do not like the idea of speaking while our dear friend is sick. I want to see his resolution go through, but I think something should be done to coordinate our police systems, and pay the cost of pensions in respect of all police who die in the discharge of their duty. Peace has its heroes the same as war.

Resolution reported, read the second time and concurred in. Mr. Cardin thereupon moved for leave to introduce Bill No. 112, to amend the Royal Canadian Mounted Police Act.

Motion agreed to, and bill read the first time.

SOLDIER SETTLEMENT

DISPOSITION OF MINES AND MINERALS ACQUIRED WITH OR UNDERLYING LANDS

Hon. T. A. CRERAR (Minister of Mines and Resources) moved the second reading of Bill No. 31, to amend the Soldier Settlement Act.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Fournier (Hull) in the chair.

On section 1—Exemption of mines and minerals.

Mr. STIRLING: The purpose of this amendment is to enable the director of soldier settlement to grant to the original soldier settler the mines and minerals acquired with his land. Can the minister give us any idea of the number of original soldier settlers who are still occupying their lands?

Mr. CRERAR: I am afraid I have not that information. I have a note here to the effect that at the present time there are 8,606 active soldier settler accounts. I assume that is probably the number, but this information can be given definitely when the estimates of the soldier settlement board are before the committee.

Mr. STIRLING: Many of these properties have changed hands, sometimes more than once, and I was wondering to what proportion of the soldier settlers of Canada this bill would apply. Is it only to the original ones that it does apply?

Mr. CRERAR: It is estimated that mines and minerals were acquired with the land by the board in about 1,200 cases where soldier settlers have repaid their loans. That would not necessarily mean that the minerals had been transferred in all those cases. As I explained on the resolution stage there were cases where land acquired by the director of soldier settlement for resale to a soldier carried with it the mineral rights. There were cases where the mineral rights were reserved by the vendor of the land. This legislation seeks to make clear beyond any question of doubt that where minerals were acquired by the director of soldier settlement from the vendor of the land, the minerals will pass to the soldier settler when he has acquired clear title by paying off his indebtedness to the director of soldier settlement.

The hon. member for Vancouver South (Mr. Green), I think it was—the good-looking gentleman in the gray suit—

Mr. GREEN: That cannot be me; you must have the wrong man.

Mr. CRERAR: My hon. friend asked whether in the event of the death of the soldier settler the minerals would pass to his estate. I am advised by the justice department that they would. That is, assuming, of course, that the estate paid off the indebtedness on the land and that it did not revert to the director of soldier settlement. But in the event of the land reverting to the director of soldier settlement and being resold to a civilian, the mineral rights would not pass. But they do pass to the soldier settler or his heirs when his indebtedness has been paid.

Mr. DOUGLAS (Weyburn): Would the minister explain how it is that the director of soldier settlement has the power vested in him to dispose of these mineral rights? I took it for granted that they would be within the jurisdiction of the provincial government since the national resources have been returned to the provinces.

Mr. CRERAR: If the land was acquired by the director of soldier settlement in previous years and title to the land secured by the director to be transferred to the soldier settler when he had paid off his indebtedness, then the minerals would of course pass with the land. If the soldier settler leaves the land and it reverts to the director of soldier settlement, the director can resell the land to a civilian, and in that event the minerals do not pass but remain to be disposed of by the director.

Mr. DOUGLAS (Weyburn): They do not revert to the province?

Mr. CRERAR: No, not in that event.

Mr. STIRLING: What about the original soldier settler to whom the minerals did not pass but who some years ago received clear title to the property, having paid off all his indebtedness? Will this legislation cover his position?

Mr. CRERAR: No. Suppose, for illustration, that the director of soldier settlement purchased land from a vendor, and the vendor reserved the mineral rights. They did not pass; they remained with the vendor, and he makes what disposition of them he wishes. The land will pass to the soldier settler when he has completed his payments. He will receive clear title to the land in this case but not to the minerals. This legislation deals only with cases where the minerals were acquired by the director of soldier settlement from the vendor in the first instance, and when the soldier settler completes his payments he or his estate gets the minerals.

Mr. STIRLING: I quite follow that, but I am referring to the case where the director of soldier settlement acquired the mineral rights and the property was sold to the original soldier settler who, four years ago, completed his payments and received his title. Do these mineral rights pass to him under this legislation?

Mr. CRERAR: Yes; the purpose of this legislation is to make clear that they do pass.

Mr. GREEN: Will the soldier settlement board convey these mineral rights to the soldier settler now?

Mr. CRERAR: Yes; that is the purpose of the legislation, to make clear beyond any question of doubt that they have the power to do it.

Mr. GREEN: There will actually be conveyances to each of these soldier settlers?

Mr. CRERAR: Oh, yes, they go to the soldier settler.

Mr. WRIGHT: In the case of school lands in Saskatchewan, will the mineral rights go to the soldier settler?

Mr. CRERAR: No. If the lands were acquired from the crown by the director of soldier settlement the mineral rights would not pass with those lands because they were reserved by the crown. This measure deals with cases where the lands were disposed of by the crown many years ago. As I stated on the resolution, prior to 1886 as I recall now, there was no reservation of minerals of any kind in the disposal of lands by the crown to private parties. Following 1886 for a period of years, precious metals were reserved but other minerals were not. Later on, all minerals were reserved, and subsequent to that time any lands alienated from the crown to private parties did not carry with them the mineral rights. But this legislation deals with cases where the lands originally disposed of by the crown carried the mineral rights. The soldier settlement board in the course of its operations acquired some such lands, and this, let me repeat, is to make clear that the director of soldier settlement can pass the mineral rights on to the soldier.

Mr. GREEN: Have there been any cases where the mineral rights have been conveyed to some third party although the soldier holds title to the land itself?

Mr. CRERAR: I know of no case where the mineral rights were transferred to a third party, and I do not think there is any such case.

Mr. CASTLEDEN: How many will be affected by this legislation, and in what provinces?

Mr. CRERAR: I cannot give that information at the moment, but I think I am correct in saying that practically all the cases are in the prairie provinces—with a limited number in Ontario.

Section agreed to.

Bill reported, read the third time and passed.

95826—118½

SUPPLY

The house in committee of supply, Mr. Fournier (Hull) in the chair.

DEPARTMENT OF FISHERIES

77. Departmental administration, $129,300.

Mr. HANSON (York-Sunbury): Would the minister be good enough to give to the committee and to the country a statement of the present set-up of his department. I understand that the late deputy minister died during the year, that a new deputy minister was appointed, and that there were certain promotions. I think we should have an extended statement of the whole set-up of the department.

Hon. J. E. MICHAUD (Minister of Fisheries): Since the close of the last fiscal year there have been three changes at the headquarters of the department: First, the appointment of a deputy minister. The position has been vacant for over a year through the resignation of Doctor Found in the latter part of 1938, and the appointment of a successor was made as of April 1, 1940. Second, in the meantime the duties of deputy minister had been discharged by Mr. J. J. Cowie, director of fisheries promotion and inspection. Shortly after the beginning of this year, Mr. Cowie intimated that, on account of ill health, he could no longer continue in the service. He asked to be relieved of his duties, and took his leave of absence pending final retirement, and when he retired the position of director of fisheries promotion and inspection was abolished. Third, Major D. H. Sutherland, who was supervisor of eastern fisheries with headquarters at Halifax, was promoted to the position of assistant deputy minister and director of eastern fisheries, and his duties will include those which came under the position of director of fisheries promotion and inspection, formerly held by Mr. Cowie.

Mr. HANSON (York-Sunbury): Mr. Sutherland is made assistant deputy?

Mr. MICHAUD: Yes. The rules of the department require that there should be one assistant deputy to take the place of the deputy in case of illness or other temporary absence from the department, and generally there is someone appointed or having that title and discharging the duties assigned to him under the departmental set-up and regulations.

The retirement of Mr. Cowie and the appointment of a director of eastern fisheries will enable us to make a reduction in expenditures, saving about $600 a year.

If I may be permitted, I should like to say a few words regarding the persons who have been appointed, and regarding Mr. Cowie, who has resigned.

First, in order, Doctor Finn joined the government service in 1925, after graduating from the university of Manitoba. After a short time attached to the then biological board of Canada at Halifax, he was sent to Prince Rupert in British Columbia where, in 1926, the biological board decided to establish a fisheries experimental station. At Prince Rupert, it was Doctor Finn's task to organize and to direct technical investigation into the fishing industry, and it was during his time as director that the major work in connection with the building and development of the station took place. The work brought him into close contact with all phases of the fishing industry, an experience which enabled him to gain knowledge of the fundamental problems connected with the operations, as well as giving him an intimate knowledge of the fishermen themselves.

In 1929 he resigned from the research board's staff to become the organizer and director of a scientific division for the British Columbia Packers, Limited, one of Canada's largest fishing companies. Later he went to Cambridge, England, and on returning to the dominion in 1932 he was reappointed director of the Prince Rupert station, where he remained until 1934, when he was transferred to the post of director of the Atlantic experimental station at Halifax.

While holding the Halifax position, Doctor Finn was seconded to the salt fish board in 1939, as the board's chairman. He was carrying on the duties of this latter post at the time of his appointment as deputy minister of the department in the spring of 1940.

His duties with the fisheries research board took him into the field both east and west and gave him an opportunity for a study of conditions on both coast-lines, as well as of becoming generally acquainted with the administration services on both coasts; thus being continually and closely in touch with questions of much importance to the fishermen and the fishing and processing companies, he became widely informed as to the industry's operations and needs.

Mr. J. J. Cowie has retired after nearly forty years' association with the service of the dominion in the Department of Fisheries. As a matter of fact, he was eligible for retirement some time ago, and for reasons of indifferent health he had intended to leave the service at the end of 1939. However, he continued on duty until the new deputy minister had been appointed and had reported for duty.

[Mr. Michaud.]

Mr. Cowie's first connection with our fisheries service was in 1903, when he came to Canada at the request of the Canadian authorities to look into questions related to the development of the herring fishery. He continued the investigations in this field for several years on a part-time basis, returning to his native Scotland during those seasons which were unsuitable for his investigational work. In 1909 he was appointed to the headquarters staff of the then Department of Marine and Fisheries and he has been continuously in the fisheries service since that time. He had an important part in the organization of the outside staff of fisheries officers and the development of the departmental statistical system, and he was in large measure responsible for the creation and development of the present system of fish inspection in the dominion. He also has had a very important part in making the fisheries research board, formerly the biological board, an increasingly effective aid to the fishing industry, and for a number of years past he has filled the position of honorary secretary, one of the board's two executive offices.

Mr. Cowie, as will be seen, has had a long fisheries service and I am glad to be able to testify that his service has also been exceedingly useful. Hon. members who know Mr. Cowie—and I think most of the members from the sea fisheries districts, at least, have had contact with him—will know that he has contributed valuably to fisheries progress in Canada, and they will share my hope that he may thoroughly enjoy his years of retirement.

As has been pointed out above, the position formerly occupied by Mr. Cowie has been abolished, but the duties will become part of the new office, assistant deputy minister and director of eastern fisheries, to which Mr. D. H. Sutherland has been appointed.

Early in the last war Mr. Sutherland gave up his studies at Mount Allison university to enlist with the Canadian forces and served overseas throughout the duration of the conflict. For valiant service he was awarded the military cross. Following demobilization, he was appointed to the position of district inspector of fisheries. He was selected by the civil service commission for promotion to the new Ottawa position of assistant deputy minister and director of eastern fisheries as from July 1.

In addition to his general work as director of eastern fisheries, Mr. Sutherland will carry on some of the duties formerly handled by Mr. Cowie. It is probable that he will also assume the work of honorary secretary of the fisheries research board.

These are the only changes made at headquarters in the last few years. As I have already

stated, this reorganization will enable us to save $600 in salaries of officers and to make further saving by reason of the fact that the present deputy minister will continue to act as chairman of the salt fish board, without remuneration.

Mr. HANSON (York-Sunbury): And without much labour.

Mr. MICHAUD: With considerable labour in view of the representations that are now being made from the fishing districts. The new set-up will enable us to save $8,600 in salaries at headquarters. Apart from these changes, the set-up is what it has been for the last ten or fifteen years. There have been neither additions nor subtractions.

Mr. HANSON (York-Sunbury): I am obliged to the minister for the information he has given. The department either needed a deputy minister or it did not. Why was the vacancy left unfilled for a whole year, with Mr. Cowie in charge, a man long past the superannuation period? The department was practically without a head for a year. Why?

Mr. MICHAUD: Mr. Cowie had had a long experience in the department and was willing to carry on as deputy minister, and associated with him were some other officials who were willing to share the work. We carried on for over a year and might have continued longer had Mr. Cowie's health permitted him to remain in the department. On his retirement, however, we had to make some appointments, and in appointing a deputy minister who could fill two major positions, and with the promotion of Major Sutherland, we felt that the new set-up would be eminently efficient, and that we could have the work done with less expense than formerly. The new deputy minister's salary is $8,000 and the former deputy minister's was $9,000. The salary of the head of the salt fish board was $7,000. We are saving $8,000 by combining the two positions and $600 by abolishing the position formerly held by Mr. Cowie and appointing Major Sutherland as director of eastern fisheries.

Mr. HANSON (York-Sunbury): The details of services given on page 88 of the estimates do not indicate anything of the sort. The only difference is a saving of about $700, and there are more officials in the head office than there were a year ago. The two stories do not gibe.

Mr. MICHAUD: That is correct. The set-up which appears in the estimate is the set-up which existed on March 31, 1940. The changes I mentioned were made since then. The deputy minister was appointed after the first of the fiscal year, taking office as from April 1. Mr. Cowie resigned on June 23 and Major Sutherland was appointed as of July 1. It is true that the set-up as it appears in the estimates does not show any material changes from that of last year, but conditions have kept changing practically every day and it is difficult to make a definite estimate of what the personnel may be.

For example, within the last month or two some of our men have enlisted. Their positions must be kept open. Some have been seconded to other departments because of their experience and ability. As a matter of fact, at present we are short seven of our employees at headquarters, through enlistment, loaning employees to other departments and some vacancies which have occurred. These positions are all established by the civil service commission, and we would be taking quite a chance if we decided to abolish them in these days, since some may return and others may not, and we may require further assistance. We have at least six established positions for which we must vote salaries, but I do not believe those salaries will be paid during the year unless those who have resigned or taken leave of absence decide to return. To provide for this situation we have asked a little more in the temporary vote in order to make sure that we shall have funds with which to pay any temporary help we may need to employ during the year, but the intention is to keep the cost as low as possible.

Mr. NEILL: What has become of the publicity agent?

Mr. MICHAUD: That position has been established for many years. The incumbent retired on superannuation, and the civil service commission appointed his successor who now is serving his probation period. The treasury board has placed him on the list of temporaries, pending issuance of his certificate of permanency.

Mr. HANSON (York-Sunbury): Why do you need a publicity agent as well as a director of publicity? I know the director of publicity; he was an old school friend of mine. The job was created for him; there never was any such position before he came here, and he won his spurs by writing political editorials. He did not know any more about fish than I did, perhaps not nearly as much. Why do you need both these men? I do not think there is any necessity for them, and I think the position should be abolished.

Mr. MICHAUD: The position of director of publicity has been established in the department for a long time.

Mr. HANSON (York-Sunbury): Oh, no. I was in Ottawa when he came here. This was a new job created just prior to 1930.

Mr. MICHAUD: Shortly after 1930 another similar job was created, that of assistant director of publicity. I do not know what the purpose was, but the salary was the same.

Mr. HANSON (York-Sunbury): When was that? I do not remember anything about it.

Mr. MICHAUD: That was in 1931.

Mr. HANSON (York-Sunbury): Who was appointed?

Mr. MICHAUD: Mr. Fisher.

Mr. HANSON (York-Sunbury): He has been superannuated since then.

Mr. MICHAUD: Yes.

Mr. HANSON (York-Sunbury): Then I suggest that the minister should not fill the position at all. It is absolutely unnecessary. While I am on my feet I should like to ask why the present incumbent was chosen as deputy minister. What administrative experience did he have? He is a technical man, a scientific man. The deputy minister of fisheries primarily is the administrator of the department. He should be a business man, an executive, rather than a scientific man. What experience did the present deputy minister have in administration, and why was he selected?

Mr. MICHAUD: The fact that a person possesses some scientific qualifications does not necessarily mean that he has no administrative ability. The present incumbent has been in charge of important branches of the department almost continuously since 1925, either on the Atlantic or on the Pacific coast, and he has shown ability as an administrator as well as a scientific man. I think we were most fortunate in finding a man possessing scientific and also administrative qualifications and ability. For that reason alone the present incumbent was selected, having in view his attainments both as an administrator and as a scientist.

Mr. HANSON (York-Sunbury): He was an official of the biological board from the time he left university until about 1934. Later he went into the salt fish board, and I suppose the minister is aware of the protests that were made by certain interests with regard to his appointment to that position.

Mr. MICHAUD: No, I am not aware of any protests against his appointment.

Mr. HANSON (York-Sunbury): What did the salt fish board accomplish with respect to the marketing of salt fish from the maritime provinces, and what is the position to-day?

[Mr. Michaud.]

Mr. MICHAUD: The salt fish board was created to reorganize on the Atlantic coast the salt fish industry, which was absolutely disorganized. The board was set up under an act of parliament passed last year. The board had to act very quickly because the bill was passed only towards the end of last June, and they had to see to it that those engaged in the salt fish industry were organized in such a way as to enable them to continue in that industry and earn a livelihood. They had to instruct the fishermen; they had to encourage them, and they had to direct them as to where to market their products. Last year parliament voted $800,000 to help those fishermen, and it was the duty of the board to use that money to the best possible advantage of the fishermen.

Mr. HANSON (York-Sunbury): In what respect?

Mr. MICHAUD: In using that money—

Mr. HANSON (York-Sunbury): To help win the election?

Mr. MICHAUD: No, I would not say so—to organize a foundation for that industry and pay those people enough money to enable them to live and continue their work. They organized the deficiency payment scheme which under the law they were particularly instructed to do and which I think has been profitable to those people in the last year.

Mr. HANSON (York-Sunbury): Did the board have anything to do with the marketing of salt fish? If so, is it true that that board went to New York for a marketing agent instead of selecting a Canadian for that purpose? I understand that is the case, and that the Halifax *Chronicle,* and a senator from another place, whose name I shall not mention, but who used to grace this chamber with his presence, his oratory, and sometimes his strong language—I shall not say anything more than that—condemned the appointment, and called the minister out. In fact, if I remember correctly, I think the senator demanded the minister's resignation. Did this salt fish board have anything to do with the marketing of salt fish? If so, how successful were they—or how unsuccessful, because I believe that is the better way to put it? There is no doubt about it, that the plight of salt fishermen in the maritime provinces is pitiful.

We hear a great deal of talk about the incomes of western farmers. If hon. members want to see real poverty, let them go down to the shores of Nova Scotia and New Brunswick, to Caraquet cove, and they will see poverty the like of which they never dreamed.

In some years those fishermen have a cash income of less than $120—and they have no farms to live on.

Mr. POTTIER: That is why they should get the bonus, under the salt fish board.

Mr. HANSON (York-Sunbury): They certainly should get something. But what has been done, I should like to know.

Mr. POTTIER: They were given the bonus.

Mr. HANSON (York-Sunbury): They were given a dole.

Mr. MICHAUD: Under the circumstances it was absolutely necessary for the salt fish board to act as they did. They received instructions from parliament to do so. Parliament voted money for a purpose, and it was expended for that purpose. In connection with the investigation of markets, and the engaging of a New York agent, may I read part of section 5 of the Salt Fish Board Act, which was enacted last year by parliament:

> The board shall (a) investigate and report to the minister upon the marketing of salt fish in the export trade and explore all possibilities of opening up new marketing outlets; (b) devise and recommend to the minister a plan, or plans, which may be adopted for the orderly marketing of fish, salt or to be salted, with a view to improving conditions and bringing greater returns to the primary producer and the exporter.

One of the first things the board did, after organization, was to comply with the obligation imposed upon it under the terms of section 5 of the act. In other words, it proceeded to investigate the marketing of salt fish in the export trade, and to explore the possibilities of opening up new marketing outlets.

Mr. HANSON (York-Sunbury): And what is the result?

Mr. MICHAUD: The result is this: In view of conditions which have developed since the spring of this year in countries where we usually marketed our salt fish, the salt fish board had to revise its recommendations. It is a well known fact that because of conditions which have developed in Europe and in the West Indies in the last two months, the purchasing power of prospective customers has been practically nullified, and economic conditions imposed by the blockade, conditions which are changing from day to day, have compelled the board to change its plans of marketing.

For example, there are large quantities of salt fish in existence to-day which were destined to go to European markets but which, in view of recent developments, have to be practically dumped on the West Indies market, where we had hopes of regaining our position and of creating a new market for our people. So, in view of those conditions we have had to change our plans in connection with our marketing programme. We are practically in the same position as other industries. Because of recent conditions we cannot plan more than a few days ahead. Because of those conditions, naturally the salt fish board cannot lay down hard and fast rules to guide the industry in connection with the marketing of salt fish for the next year or the next two years. We have to accept conditions as they change from day to day, and try to do the best we can under the new circumstances.

But under the scheme of payments for salt fish we have paid the salt fish producers about $495,000, and in those payments there has been no discrimination. It has been done on a scientific basis, and with a view to reestablishing those people in an industry in which they have absolutely lost confidence and lost heart.

Mr. HANSON (York-Sunbury): So far as the marketing end is concerned, I understand the minister is telling us that the work of the board has been nil. That is about the effect of what the minister has said, is it not?

Mr. MICHAUD: No.

Mr. HANSON (York-Sunbury): Then, we have not had a market in continental Europe since before 1935, except for canned lobsters and the like of that. For a long time salt fish has not been taken to the Mediterranean from the maritimes, Newfoundland, Gaspe or any of those places. It has not been taken in any quantities comparable with those taken some years ago. That market has been lost to us for a long time, because of exchange conditions, and their greatly depleted power to purchase. The war in Spain helped to wipe out that market, too.

I thought the salt fish board was going to open up a new avenue for sales of salt fish in the West Indies, Central America and South America. But from what the minister has told me I would understand that nothing has been accomplished in that respect. Is that right?

Mr. MICHAUD: No. The salt fish board was organized to investigate and to formulate a plan. It was not organized to market the fish in the first year of its appointment.

Mr. HANSON (York-Sunbury): What about this man from New York?

Mr. MICHAUD: The man from New York was hired by the chairman to act as investigator. He was to help the chairman, and to furnish him with information he needed, which he had to have and which, in fact, he received.

Mr. HANSON (York-Sunbury): And paid for.

Mr. MICHAUD: Yes, and paid for.

Mr. HANSON (York-Sunbury): Out of this grant.

Mr. MICHAUD: I am sure he paid for it.

Mr. HANSON (York-Sunbury): I bet he did.

Mr. MICHAUD: It is impossible in these days to get investigators in connection with salt fish to work for nothing.

Mr. HANSON (York-Sunbury): Oh, we have scores of dollar-a-year men here. The Minister of Munitions and Supply knows about that.

Mr. MICHAUD: But that is a new development.

Mr. HANSON (York-Sunbury): Yes, with the war.

Mr. MICHAUD: That is a new development. But I do say in all seriousness that so far the salt fish board has accomplished something. It has been appreciated by the fishermen, and I believe has been appreciated by most of those interested in the export of salt and dried fish. I have had no criticism of any kind levelled at the department or the board since it has begun to function.

Mr. HANSON (York-Sunbury): Why was it necessary to go to New York to get a man to advise the board? Are there not men in the fish trade in Halifax, Lunenburg and other parts of Nova Scotia who know about the marketing of salt fish? They have been in it for a long time.

Mr. POTTIER: And some wrecked the fishermen.

Mr. HANSON (York-Sunbury): I do not think they wrecked the fishermen.

Mr. POTTIER: You said that yourself.

Mr. HANSON (York-Sunbury): I do not think they will agree with the hon. member for Shelburne-Yarmouth-Clare, when he says that they wrecked the fishermen. I think there are men in the fish business in Nova Scotia who would have been able to advise the minister just as well as any man with a foreign name from the city of New York.

So far as aid given to the fishermen is concerned, I am in hearty accord with it. As a matter of fact, the fisherman has been the forgotten man in parliament. I am going to make a frank admission; he was the forgotten man in parliament from 1930 to 1935, too. And he has been forgotten since. That is a pretty frank statement. We did not do anything for the fisherman and his condition has become continually worse.

Mr. KIRK: Confession is good for the soul.

Mr. HANSON (York-Sunbury): I believe in telling the truth. His gear has been worn out; his nets are gone; his boats are no longer up to date and he should have complete new equipment. That was one of the purposes of this grant. I am heartily in accord with the principle; all I would say is that it probably is not sufficient. I am informed that there were farmers in Prince Edward Island who qualified as fishermen and obtained grants. They were not fishermen, but they decided to embark upon the business because there was a government hand-out going on. There have been a number of abuses there. Did this government contribute to the establishment of a new fish processing plant at Caraquet, and was that contribution made out of this grant?

Mr. MICHAUD: The federal government made what I would call an indirect contribution to the erection of the fish plant at Caraquet. This grant was distributed to the provinces, and the allotment to New Brunswick was $100,000. Last summer they asked for leave to use part of their grant to help to finance a fish plant.

Mr. HANSON (York-Sunbury): That is the provincial government.

Mr. MICHAUD: The provincial government sent a delegation to Ottawa to establish the bona fides of the undertaking.

Some hon. MEMBERS: Hear, hear.

Mr. MICHAUD: The applause is for the hon. member for Greenwood (Mr. Massey) who appears in the chamber for the first time in many weeks. I am glad to join with the rest of the members in offering him greetings.

The provincial authorities stated that in their opinion this was the best way to help the needy fishermen of that district, and we authorized them to use the money for that purpose.

Mr. HANSON (York-Sunbury): Part of the $100,000?

Mr. MICHAUD: $75,000.

Mr. COLDWELL: Who owns the plant?

Mr. HANSON (York-Sunbury): I will tell the hon. member who owns the plant; just leave that to me.

Mr. MICHAUD: I understand that this company has a contract with the province whereby it has undertaken to perform certain things.

Mr. COLDWELL: What is the value of the plant?

Mr. MICHAUD: Between $150,000 and $200,000.

Mr. HANSON (York-Sunbury): It is supposed to be worth $250,000.

Mr. MICHAUD: That is possible. We had a certificate from the provincial authorities that the money which we had authorized them to use had been fully expended and that the capital investment was far more than what we had undertaken to pay over to the province. We dealt with the province, not with the company.

Mr. COLDWELL: Am I to understand that out of a grant of $100,000 to help needy fishermen, $75,000 was granted to a company and that this represented roughly one-third of the entire amount spent by that company?

Mr. HANSON (York-Sunbury): Yes.

Mr. COLDWELL: And we have no interest in that plant now?

Mr. MICHAUD: No.

Mr. COLDWELL: This government is making a pure gift.

Mr. MICHAUD: The $100,000 was originally a gift from the federal to the provincial government.

Mr. HANSON (York-Sunbury): I think I can give the committee a good deal of information about this matter. The plight of the Caraquet fishermen was bad indeed; no one denies that. They had lost their markets, and the provincial government of New Brunswick was being pressed to render assistance. Not only had these fishermen lost their markets, but their boats and gear had become obsolete. After the Canada-United States trade agreement had been entered into, it was decided to try to establish in New Brunswick a fish processing plant which would take care of a large part of the catch along the Caraquet coast. The Gorton Pew Company of Gloucester, Massachusetts, are a large corporation with an excellent standing financially. They could have carried out this whole undertaking on their own without the assistance of any government if they had been so disposed. They were not particularly interested in this matter until representations were made to them by representatives of the province of New Brunswick. I think these were made in absolutely good faith. I know the gentleman who started this proposal, and he finally put it through. I believe he was actuated by the best motives, but he approached this corporation in the spirit of a mendicant and I say that without wanting to put any improper interpretation on the word. He begged them to come up there and do something.

The result was that a contract was entered into between the province of New Brunswick and a New Brunswick subsidiary of the Gorton Pew Company of Gloucester. This subsidiary was set up, all the stock being owned by the United States concern. I have not the terms of the contract before me, but I understand that the province of New Brunswick undertook to contribute seventy-five per cent of the total capital cost of this plant. If the Gorton Pew subsidiary company of New Brunswick do certain things and fulfil certain conditions, after a time the whole plant becomes theirs. I ask hon. members to bear that in mind. I do not think it was ever intended that this plant should be given over to this smart crew from Gloucester. The government of New Brunswick were probably quite smart; they knew that this vote for the fishermen was going through this house. They got this government, through the minister, to switch $75,000 of this money and thus relieve the province of a capital obligation which they had entered into. This money which has gone into this plant was a gift to the province of New Brunswick, presumably to help out the fishermen.

I am not going to condemn the proposition from a business point of view. The plant has been in operation for only a few months, and its success has yet to be proven. But I have been hearing some strange stories about the construction of the plant and I am going to ask the minister certain questions. I am not going to embarrass him by expecting answers to-night because I do not think he can give immediate replies, but I want him to get the information before this item passes. First of all, I want to know the total capital cost of the plant. I think it was in the vicinity of $250,000. I want him to find out from the province of New Brunswick what the arrangement is with the Gorton Pew Company. I have never seen the contract; I suppose if I were in the provincial legislature I could get it, or perhaps I could get it now if I asked for it. The minister ought to know the terms of the contract. I think he will find that the province has paid seventy-five per cent of the total capital cost, including the contribution from this government, and that if certain conditions are fulfilled in connection with turn-over and so

forth, this wholly owned subsidiary of a United States company will be given this plant after a period of time. The minister has told us that $75,000 was the contribution.

The next thing I want to know is whether any architect or firm of architects was engaged to draw plans for the plant. I am informed that a local man with no experience whatever in drawing plans for factory construction of this type was engaged. He was a local architect who could build a house or a brick block but he knew nothing about factory construction. In other words, he was engaged on a hand-out basis from the provincial government.

Next, were any difficulties encountered in the construction of the plant? I am not holding the minister himself responsible for this, although in a sense he is responsible if he did not take due precautions to see that federal moneys were properly expended.

This is what I have to say about this plant, on the information that has been given to me. I have already spoken about the architect having no previous experience in factory construction. Second, the foundation of the building is at least three feet too low. Third, no provision was made for ventilation in the basement, and that part had to be done all over again. The ventilation had to be installed in the basement at a greater cost. It will be understood by the committee that this is a freezing plant using chemicals, and there is an escape of vapours and gases. Prior to the installation of the ventilation, and due to the absence of it, a young man was overcome by gas fumes while working in the basement and almost lost his life. That was the reason why they had to put in a ventilation system.

Next, after the building was finished, part of one of the brick walls had to be torn down so that some necessary machinery could be installed in the building. They built the wall before the installation of the machinery, when they must have known that machinery was coming in, and then afterwards they had to tear down the wall to get it in.

Next, the first cement floor is a disgraceful job, not providing enough slope to force the water and offal into the gutters. That is the architect's fault, if he did not draw the proper plans. I am not blaming the builder at all.

Next, additional sewerage had to be installed after the contractor had been paid. There was not sufficient sewerage to carry off the flow of water and offal from the fish plant.

The steam engines are not of standard build, and they began to heat after being in operation for a short time, and had to be taken down and repaired.

Next, the drying and fertilizing plant broke down on its first trial, and is not giving satisfactory service.

[Mr. R. B. Hanson.]

I want to know if any additional cost was incurred as a result of the difficulties which I have described, and if so, how was such cost borne? Was it borne by the contractor, or was it borne by the provincial government, or did this government bear any part of it? I assume from what the minister has said that there has been nothing further from this government beyond the contribution. But did the Department of Fisheries at Ottawa have a fully qualified representative or inspector examine the plans of the architect before construction of the plant began? The answer is no, I assume.

Next, during the construction of the plant, into which we are putting $75,000 of public money from this treasury, and much more from the provincial treasury, did the federal government have a fully qualified representative or inspector examine and report from time to time on the quality and efficiency of the work being undertaken? Did the provincial government have any such official examine the work as it was being done?

I propose to leave the matter there and to give the minister some time to investigate and report. I am not going to attribute any misconduct at all to the minister. The fact is that he gave a hand-out to his friends in the provincial government of New Brunswick. They expended the money I think rather extravagantly. I know that the whole proposal is uneconomic. If we have to subsidize a fish processing plant in the maritime provinces to the extent of seventy-five per cent of the capital cost—yes, the Minister of Mines and Resources (Mr. Crerar) may look askance at that statement but that, I believe, is the position—if we have to pay 75 per cent of the capital cost to establish this plant, the whole thing is wrong, uneconomic and ought not to have been done, and we ought to devise some other means of helping the fishermen, because God knows they need it.

I am going to ask the minister if he will investigate this matter. I make no charge of dereliction of duty on his part, but I should think that before he would hand out over $75,000 he would take some precautions to see that the money was properly expended. Did the minister understand when he made this contribution that it was to be a free gift to a group of Americans who would not invest their own money in the plant, or was it just an indirect form of hand-out to the Caraquet fishermen?

It may accomplish its purpose. I hope it will. I hope something will be done for the people down there because I know something of their condition and I sympathize with them. They have been in dire straits, and if it had not been for the huge amount of

money spent by the provincial government on the construction of highways in the last three years, every one of those people would have been on relief. I am afraid that a great many of them have been on relief. What they are doing this year I do not know because there is no relief and no road work in New Brunswick, and the municipality is not able to grant them any relief. I hope that this plant has taken a reasonable amount of fish, that the processing of the fish and the marketing are going on and that it may be of assistance to the people down there.

I hope that the fishermen are paid decent prices for their fish. That is an important consideration. What control is there over this American-owned company to see that the fishermen of the Caraquet coast are paid a living wage for their catch? That is a query in my mind. I do not know but I think the minister ought to tell us, and I am putting this on the record so that he will have it before him and be able to give us the information. What relief will there be for the fishing industry on the Caraquet coast as a result of this expenditure? I do not see how from an economic point of view the venture can be justified, but if the thing works out well in the end, if it produces the results of taking these people off relief and giving the fishermen a market for their catch at decent prices, I would be willing to forget the uneconomic aspects of the whole transaction.

I think I have been fair in the criticism I have made. I am looking for information. I hope the minister will get it for us before parliament prorogues, and then we shall know what the exact position is. No one I think can justify on public grounds contributions of this kind to a company well able to finance such an undertaking on their own. There is no question that they were well able to do this, but they just would not go into it until the government of the province, already debt-ridden, came forward. The highest revenue in the history of the province now goes in the main to pay interest on the provincial debt, and forevermore we shall have to pay interest on our share of this plant. How can anyone justify this kind of public expenditure? But as I have said once, perhaps twice, if this plant will relieve the plight of these fishermen I shall be willing to forget the uneconomic aspects of the whole thing. I am charitable in my disposition. If a thing will work, we can perhaps forgive and forget; but if it does not work, believe me, the provincial government will hear about it.

Mr. MICHAUD: There are some questions which the leader of the opposition has asked, the information about which is not before me now. But my hon. friend states that if this project is not economically sound it should never have been undertaken. It was because of the unsoundness of economic conditions in that district that this project was undertaken. Had not this expenditure been made in that district at that time by the provincial authorities, it is probable that they would have paid in direct relief just as much last year, and twice as much in the present year.

Mr. HANSON (York-Sunbury): Oh, but they declared there was no necessity for relief, and they cut it off, arbitrarily cut it off, and gave the impression to the whole world that New Brunswick was off relief, that we were in such a wonderful condition that we did not need it.

Mr. MICHAUD: That is possible, but it does not remove the fact that unhealthy economic conditions have existed in that district for the last twelve years—

Mr. HANSON (York-Sunbury): About ten years.

Mr. MICHAUD: —ten years, and that all governments, all authorities have tried to cope with the situation, with very little success until this last venture was started. I feel that it will enjoy a certain measure of success. I understand that already it has contributed to raising the morale of these poor people—that is one good effect—and that the company operating that plant is achieving some success and the fishermen are going to reap some benefits.

For the time being that is all the information I can give. The grant was made just as every other grant was made to the provinces, to assist in the relief of unemployment or of unsatisfactory economic conditions.

Mr. HANSON (York-Sunbury): But I can take it from the minister's statement that there was absolutely no supervision over the expenditure of the money?

Mr. MICHAUD: I do not say that.

Mr. HANSON (York-Sunbury): Well, was there? That would be within the minister's knowledge.

Mr. MICHAUD: Yes, I know there was supervision.

Mr. HANSON (York-Sunbury): What was it?

Mr. MICHAUD: I know there was some supervision. I know there was some inspection. Whether it was efficient enough to satisfy my hon. friend or the critics of the project, I do not know.

Mr. HANSON (York-Sunbury): Was there any federal supervision or inspection?

Mr. MICHAUD: There was some federal inspection of the work before the money was paid over.

Mr. HANSON (York-Sunbury): What was it?

Mr. MICHAUD: It was made by officials of the department who were asked to go there and inspect the premises.

Mr. HANSON (York-Sunbury): Who were they? Barry?

Mr. MICHAUD: I know that Colonel Barry was one of them, and I am told that he had some information to guide himself in the matter.

Mr. HANSON (York-Sunbury): That is the limit.

Mr. MICHAUD: I doubt if I could satisfy my hon. friend.

Mr. HANSON (York-Sunbury): Well, you would not think that he would be competent to inspect a technical plant like this, would you? I have not anything against Colonel Barry. He was a gallant soldier in the last war; he is forming another unit in this war, and he got his position because he was a returned soldier. He has learned a great deal about the fishing industry since that time, but to send him there as inspector of a technical plant like this, is a joke.

Mr. POTTIER: Whom would the hon. gentleman send? A lawyer?

Mr. HANSON (York-Sunbury): No, I would send a technical man. You might do worse than send a lawyer, but in this case I would send somebody who knew something about the business.

Mr. MICHAUD: We must assume that the provincial authorities, who are responsible for the project—

Mr. HANSON (York-Sunbury): Oh, that is a horse of another colour.

Mr. MICHAUD: Well, it is fair to assume that they exercised ordinary judgment and saw that the thing was properly executed. I know there is some difference of opinion in the community as to the location and as to the company. There will always be divisions of opinion in such matters, and sometimes people magnify what they think are defects and faults with regard to projects, especially when they are not altogether sympathetic to the project.

Mr. HANSON (York-Sunbury): I think everybody is.

Mr. MICHAUD: I think everybody is, and I believe everybody will admit that it is a pretty good job.

[Mr. R. B. Hanson.]

Mr. HANSON (York-Sunbury): And cost a great deal of money.

Mr. MICHAUD: And we hope it will serve its purpose.

Mr. HANSON (York-Sunbury): Yes.

Mr. MICHAUD: My hon. friend referred also to part of the money which was voted to help the salt fish industry having been paid to Prince Edward Island farmers.

Mr. HANSON (York-Sunbury): Who are not fishermen.

Mr. KINLEY: It was paid on a production basis.

Mr. MICHAUD: I might ask the question, who is a fisherman? That is pretty hard to define, especially in the east, because "fishermen" are those who fish, and when they do not fish they are not "fishermen".

Mr. HANSON (York-Sunbury): Perhaps this was under another act. I may be wrong as to what the assistance was, and I am willing to admit when I am wrong.

Mr. MICHAUD: Perhaps they farm six or seven months, and work in the lumber woods two or three months. Whether they can be classed as fishermen, farmers or lumbermen is pretty difficult to determine, and there is no act of parliament which defines who is a fisherman.

With regard to the New York agent, my hon. friend thinks it is a crime to employ a gentleman from New York to help in investigating foreign markets in South America, the West Indies and Central America.

Mr. HANSON (York-Sunbury): That is not putting it fairly. Why should we not employ a Nova Scotian?

Mr. MICHAUD: I will answer this question by explaining why we employed this particular individual who happened to live in New York. He was recommended to us as a marketing agent, possessing marketing qualifications, experienced in investigating markets in those countries, and, what was very important, having a knowledge of the languages spoken by the people living in those countries.

Mr. HANSON (York-Sunbury): What did you pay him?

Mr. MICHAUD: He has not been paid yet.

Mr. HANSON (York-Sunbury): Oh, but he will be paid. What is his bill?

Mr. MICHAUD: I am informed that he has not been paid yet.

Mr. HANSON (York-Sunbury): What is his bill?

Mr. MICHAUD: About $3,000, fee and expenses and everything concerned.

Mr. HANSON (York-Sunbury): How much time did he put in?

Mr. MICHAUD: Over five weeks.

Mr. HANSON (York-Sunbury): Pretty good!

Mr. MICHAUD: Including fares and travelling expenses and his report.

Mr. COLDWELL: Is he a lawyer?

Mr. MacNICOL: Does the $3,000 include expenditures?

Mr. MICHAUD: Yes, everything, including a tour of Central America—

Mr. HANSON (York-Sunbury): He could not tour much in five weeks.

Mr. MICHAUD: —the northern part of South America, and the West Indies.

Mr. HANSON (York-Sunbury): I suppose he flew down and flew back.

Mr. MICHAUD: He flew part of the time.

Mr. HANSON (York-Sunbury): In order to cover that in five weeks, he had to.

Mr. MICHAUD: The agent was selected because of his qualifications and his ability to do the work which was required of him.

Mr. KINLEY: I should like to say a word about this item. The leader of the opposition has been rather critical with regard to the appointment of the deputy minister. After the deputy minister was appointed I wrote the minister and said that I thought he had made a very good appointment.

Mr. MICHAUD: Everyone so far has said so.

Mr. KINLEY: The fishermen and the fishing interests in my part of the country had considerable correspondence with and advice from Doctor Finn. Last year an extensive plant was built there. Doctor Finn gave valuable services in just the kind of work which the leader of the opposition said would be necessary on the Caraquet shore. The result was that a fine plant was built out of private funds, without assistance from the government. In view of Doctor Finn's experience on the Pacific coast and at the experimental station at Halifax, and having regard to his academic attainments, we thought the minister did a very good job in the selection of the deputy minister. The Department of Fisheries has always been a kind of Cinderella of the government. No government seemed willing to spend money to get the officials who are needed. I was very much pleased to see Major Sutherland, who was supervisor of fisheries in Nova Scotia, a competent official and a gentleman highly regarded in that part of the dominion, brought to Ottawa as assistant to the deputy minister. He has done valuable work. That is a splendid thing. The minister has supplemented his staff so that he can render better service, and the minister can be assured that he is receiving the advice of one who not only is intelligent but has the interests of the fishing industry at heart.

With regard to the fish board, it was first provided that the board should be constituted of fish dealers and fishermen. The senate amended the bill, advantageously perhaps. Their view was that the board should be composed of a chairman who was an official of the Department of Fisheries, and fishermen producers. Accordingly Doctor Finn, who was in charge of the experimental station at Halifax, was appointed chairman, the members of the board being Mr. McInerney, secretary of the cooperative association in eastern Nova Scotia, and Captain William Deal, a skipper from Lunenburg. This board had to deal with the estimates granted by parliament last year to provide deficiency payments in the industry. The leader of the opposition said they did nothing for marketing, and he added that we had lost markets in Europe. That is true, but it only means that Newfoundland, which usually markets fish in Europe, invaded the markets we had in the West Indies and South America, and to that extent our marketing situation was much worse.

The idea of the deficiency payment was that the merchant would buy fish from the fishermen at a certain price and perhaps invade the market at a low price. He would buy the fish, and the fisheries board would give the fishermen enough to bring it up to the set price which they had pegged for the salt fish of the maritime provinces. The board's action saved the cod fish industry in Nova Scotia last year. It saved the salt fish industry in my county and we were grateful to the government for what it had done. There was a little delay owing to the innovation, and there was some impatience; but it was the first year. This must be remembered. The mackerel fishermen also received a deficiency payment, and the only criticism I would offer, if I offered any at all, would be that the herring fisheries should have been included in the payment. On the whole the board did a good job. We have $400,000 in the estimates this year for the same purpose.

The board will function again and if fish do not yield a price to give the fishermen a decent living, the board must make a deficiency payment to take up the slack.

Mr. HANSON (York-Sunbury): Call it a subsidy.

Mr. KINLEY: We do not like to call it that on account of international entanglements. Let me tell my hon friend that Newfoundland and other fish exporting countries are doing the same thing. The salt fish business is after all the back-log of the whole situation, because the fresh fish industry is carried on by the same people at different times of the year. Their business is increasing, and if you can keep the salt fish industry going by means of a little stimulation, I submit that is a proper thing to do. Where we have a tariff, I think it is only proper to stimulate a primary industry, because it is the start of everything. We deserve some stimulation. The money was paid on production of fish, and a large part of the money came to my county, because we produced the greatest quantity of salted fish.

With regard to New Brunswick, my hon. friend says that the minister subsidized a plant in that province. He says that a United States company was subsidized, a concern that came there and, in conjunction with the province of New Brunswick, built a plant. The people who came there were, I believe, the Gorton Pew Company. Much of our fish are marketed in the United States and the Gorton Pew Company have command of a large part of the business in that country. So far as my own riding is concerned, we do not like subsidized plants there, but no one will say that it is not advantageous for New Brunswick. It was a help in that province, because the fishermen of New Brunswick had poor facilities to market their fish, and there was provided for them, in their midst, a company that commanded the markets of the United States. One thing I would say is that the government should see to it that the company pays a fair price to the fishermen for their fish and does not compete unfairly with Canadian firms at the fishermen's expense.

The CHAIRMAN: It is eleven o'clock.

Item stands.

Progress reported.

At eleven o'clock the house adjourned, without question put, pursuant to standing order.

[Mr. Kinley.]

Wednesday, July 24, 1940

The house met at three o'clock.

PRINTING OF PARLIAMENT

MOTION FOR CONCURRENCE IN FIRST REPORT OF JOINT COMMITTEE

Mr. VINCENT DUPUIS (Chambly-Rouville): Mr. Speaker, yesterday, at the request of the leader of the opposition (Mr. Hanson) the motion for concurrence in the first report of the joint committee on printing was allowed to stand. To-day I had the advantage of seeing a list of the documents some hon. members want to have printed. I have looked over that list, and from my experience I would say that most of the documents requested to be printed are returns, and generally speaking are of local interest. I do not believe it is the practice to print that type of material; this is the first time I have heard it suggested. Nevertheless, so that justice may be done to every hon. member, the question could be submitted to the committee again for its decision, and any action taken by the members of the committee will be agreeable to me.

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, at my request this matter stood until to-day. I have been able to give some consideration to it, and after consultation with my colleagues we request that items numbers 60, 60a, 60b, 98, 112, 115, 115a, 115b, 115c, 129, 129a, 129b, 129c, 134, 154, 154a, 154b, 154c, 173, and 175 be printed.

In addition to that I call attention to item 96a, respecting orders in council and proclamations issued under the War Measures Act. It will be observed that in January there were laid on the table—I believe some were tabled at the short session, if I am correctly informed—certain proclamations and orders in council passed under the authority of the War Measures Act. Evidently it was the intention of the government to have these proclamations and orders in council printed. I suggest that item 96a be printed. I suggest also that as subsequent orders in council passed under the the authority of the War Measures Act are issued, they might be printed in some convenient form, because it will be recalled that under the authority of the War Measures Act the government is, in effect, legislating. It is highly desirable that they should be available in some form, and for the duration of the war.

I make these suggestions in the utmost good faith, in the hope that the ministry will adopt them.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, I would ask my colleague, the Minister of National

Defence for Air (Mr. Power) to reply to the latter part of the observations of the Leader of the Opposition (Mr. Hanson) respecting the printing of orders in council passed under the War Measures Act. Attention is being given to that matter, and the minister will tell hon. members what is being done.

I shall turn now to the first portion of my hon. friend's request, wherein he asked that papers referred to by certain numbers, which he has set out, should be printed. I do not know to what those numbers refer, so it will be clearly understood that what I am saying now is not aimed at any particular item on the list. I realize that there is a natural desire on the part of individual members to have certain returns printed. But the printing of those returns, while it may serve a useful purpose in some localities, might be of small value outside those areas, and would fail to serve any extensive purpose. For that reason the house has appointed a committee to look into these matters.

We should be careful of going beyond the customary procedure as regards the printing of documents laid on the table of the house. In past years I do not think it has been customary for the committee to recommend the printing of individual returns, unless there was some quite exceptional reason for such printing. It may be that the numbers my hon. friend has mentioned come within that list; on the other hand it may be that none of them could be so classified.

I believe we would be wise to leave the matter to the committee for further consideration, realizing that its members will give it the careful attention it deserves.

Mr. HANSON (York-Sunbury): To a great extent I agree with what the Prime Minister has said. My own feeling is that if the country can save any substantial sum in connection with the printing of these documents—

Mr. MACKENZIE KING: And the translating.

Mr. HANSON (York-Sunbury): Yes, and the translating, it should be done. I am informed by the clerk and also by the secretary of the committee on printing that any number of copies of these returns may be mimeographed, free of charge, for members desiring to get them, and that that could be done not only during the session but, upon application, after the session. I am in agreement with the underlying principle that no more of this printing should be done than is absolutely necessary. I am going to ask hon. members who are interested in this matter to confer with the chairman of the printing committee. Perhaps they may be able to arrive at some decision. I would hope that we might save the country some money in this regard.

With respect to 96a, it seems to me that this is in another category. The government has already printed one volume of these proclamations and orders in council. I have gone through this volume; many of the orders are innocuous, but others are of great importance. Under the War Measures Act certain legislative powers are vested in the executive. While this should not be done in peace time, it is an inevitable result of war. I am not objecting to the procedure, but I do think they might be made available and be printed in a volume.

Hon. C. G. POWER (Minister of National Defence for Air): Perhaps I might be permitted to give some explanation of the procedure with respect to orders in council which has been followed since the beginning of the war. At that time I was appointed convener of the legislation committee of the cabinet and as such it became my responsibility to see that orders in council passed under the War Measures Act received a fairly wide distribution. A registrar was appointed who saw to it that a number of hon. members, the leader of the opposition (Mr. Hanson) and the leaders of the other parties, received copies of all orders in council passed under the War Measures Act as fast as they were received from the privy council. There was a fairly substantial number of these orders, and last December or January it was thought that for the convenience not only of members of the house but of the public generally it would be well to have these orders in council which were of general importance published in booklet form. An order in council was passed on January 13, 1940, which appears in the book referred to by the leader of the opposition and entitled "Proclamations and Orders in Council Passed Under the Authority of the War Measures Act." This order in council recites:

1. That under the provisions of the War Measures Act, a large number of orders in council, many of them having the force of statutes, have been passed;
2. That many of such orders in council need to be referred to frequently by persons interested in the subjects thereof; and
3. That it is advisable that a compilation of all such orders in council should be prepared and published in book form, and that all proclamations should be included therein.

The object was to include in this booklet or pamphlet all orders which had the effect of statutes and which were of general interest to the public. Another booklet is almost ready for distribution, which will be volume 2.

Mr. HANSON (York-Sunbury): That will contain orders pased under the War Measures Act?

Mr. POWER: It will contain proclamations and orders in council passed under the War Measures Act. I hope this explanation is satisfactory to my hon. friend. I think everyone will agree that there is no necessity for printing the routine orders in booklet form.

Mr. HANSON (York-Sunbury): I agree.

Mr. POWER: The National Resources Mobilization Act provides that there shall be a distribution of the orders in council passed thereunder. It has been tentatively decided that orders passed under the mobilization act which had the force of statutes or were of public interest should be printed in the *Canada Gazette*. I know the leader of the opposition has some objection to printing these in the *Canada Gazette;* he thinks we might just as well write them on ice. He is probably right, but we have tried to evolve some way of avoiding the trouble of typewriting and mimeographing them. The plan suggested is that a certain number will be printed in each addition of the *Canada Gazette,* so that members can file the copies separately and keep the orders in council in which they are interested apart from notices having to do with bankruptcy, promotions in the civil service, and so on. This arrangement is only tentative, and I am quite willing to consider any suggestion which may be made along these lines. I suggest that that is as good a way as any to avoid expense and save the trouble of employing additional staff in the office of the registrar.

May I say that all this was done before I ceased to be convener of the legislation committee. My place has since been taken by my deskmate, the Minister of Pensions and National Health (Mr. Mackenzie).

Mr. HANSON (York-Sunbury): I think some such *modus operandi* as has been suggested by the Minister of National Defence for Air could be worked out. I should not like to have them printed in the *Canada Gazette* only. Perhaps they could be issued in such form that they could be bound in a folder.

Mr. MACKENZIE KING: They would be reprints from the *Canada Gazette*.

Mr. SPEAKER: Is the hon. member (Mr. Dupuis) moving that the report be concurred in?

Mr. MACKENZIE KING: The motion is to refer the question of printing back to the committee.

[Mr. Power.]

Mr. SPEAKER: The motion I have is to concur in the report.

Mr. MACKENZIE KING: The committee is to consider the matter further. Until the committee has had the opportunity of so doing, its report ought to be held up.

Motion dropped.

HOUSE OF COMMONS

QUESTION OF ADMISSION OF TOURISTS AND OTHER VISITORS TO PARLIAMENT BUILDINGS

Hon. R. B. HANSON (Leader of the Opposition): Mr. Speaker, my attention has been called to the question of the admission of tourists into this part of the building. One of the members of the press gallery satirized the present position in an article written for his paper. If a visitor goes to the senate door he is given a guide and shown through the building, even through this portion of the building if he wants to see it. If a visitor comes to the main door of the building he is turned away, unless he is vouched for by a member; and that is not often done because we do not have many visitors from our ridings. I suggest that there should be some uniformity of practice. Whoever is responsible should get in touch with the senate in order that proper uniform action may be taken. It seems a ridiculous situation that a visitor should be turned away from the main door of the building and that a policeman or somebody else should then whisper to him that if he goes over to the senate door he will be admitted.

Mr. SPEAKER: The leader of the opposition (Mr. Hanson) will recall that about two weeks ago this same question arose. I then stated the practice and procedure that would be adopted. Any visitor wishing to go through the buildings would need to be vouched for, not necessarily by a member of parliament but by someone in a responsible position, one who was well known to the officers at the door. Before making a statement to that effect to the house I communicated with the Speaker of the Senate, who made a similar statement on the same day. If any objection is taken to visitors entering the building it is contrary to the instructions issued to the officers at the time. I repeat, that anyone coming to the building accompanied by a responsible person, a member of the House of Commons, a member of the Senate, or someone in a high official position who is willing to vouch for the visitors he has with him, will be entitled to enter the building. I shall communicate again at the first opportunity with the Speaker of the Senate with a view to having these instructions carried out.

Mr. LOCKHART: May I inquire, Mr. Speaker, if guides will be supplied for parties visiting the building?

Mr. SPEAKER: It is not possible to have guides for all parties but, where possible, a guide will be supplied.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

CAPTAIN DON DAVIES—THE SATURDAY EVENING POST

On the question:

Mr. BRUCE:

1. Is Captain Don Davies employed by the Curtis Publishing Company and the National Defence department?

2. Is he permitted to draw salaries both from that company and the department?

3. Does the government propose to take any steps to ban the *Saturday Evening Post* from public sale and circulation through the mails in this country?

Mr. BRUCE: Mr. Speaker, I should like to have questions 1 and 2 dropped because they were based upon false information.

Mr. SPEAKER: With the permission of the house.

Mr. MACKENZIE KING: Mr. Speaker, may I say to my hon. friend that question 3 was answered in a return that was brought down some time ago, and the same answer would apply to the question that my hon. friend is now asking. If the hon. member would like to have the answer given in a formal way, this question can be allowed to stand.

Mr. SPEAKER: Question stands as regards No. 3.

NATIONAL REGISTRATION

Mr. CHURCH:

1. Will the government give consideration to allowing all not of military age to file their registration forms and answers to questions on national registration by and through the post office or bureau of statistics, addressed to the registrar of their district or to Ottawa, in the same manner as income tax returns are filed and secured by the government?

2. Will consideration be given in said registration to questions on housing rents paid and mortgage rates, usury, health matters, soldier family questions, old age pensions, unemployment, hospitalization, insurance and other social questions to be used for other national problems, as proposed for next decennial census, as set out in question in this house in 1940?

3. Is this registration to take the place of the next decennial census of 1941?

4. Have the provinces been consulted about the use of superior court judges for this work? What will these judicial officers be paid for this work?

Mr. GARDINER:

1. The plan of organization requires all citizens, male and female, from the age of 16 upwards, to complete registration forms in booths provided in each polling division for this purpose. Consideration is being given to the advisability of enabling individuals, through their employers, to complete cards outside of booths, but the individual will have to attend in person at the booth and present card and secure certificate of registration. Everything possible will be done between now and date of registration to make registration as easy and as complete as possible.

2. See form of questionnaire approved by order in council and laid on table of the house.

3. No.

4. Chief justice of each province has been consulted with respect to use of judicial machinery, and have received immediate response from all that they will aid in every way possible. They will not be paid but will do this work as part of their judicial functions.

EXPORTS OF PULPWOOD AND OTHER WOOD PRODUCTS TO GERMANY

Mr. TUSTIN:

1. How many cords of pulpwood were shipped from Canada to Germany during the years 1937, 1938, and 1939?

2. What quantities of other wood products were shipped to Germany during the same three years?

Mr. MacKINNON (Edmonton West):

1. Exports of Canadian wood pulp to Germany, calendar years 1937 to 1939.

Calendar years	Pulpwood, peeled	
	Cords	Value
1937	30,142	$ 279,153
1938	150,988	1,562,374
1939*	223,143	2,247,800

2. Other Canadian wood products shipped to Germany, calendar years 1937 to 1939.

Item	Unit	1937	1938	1939*
Logs	M. ft.	2,557	3,026	2,308
Railway ties ...	No.	....	....	2,165
Planks, boards..	M. ft.	2,275	3,065	2,776
Timber square ..	M. ft.	60	224	413
Wood pulp	Cwt.	15,564	9,468	13,495

*No exports after August 31, 1939.

CANADIAN NATIONAL RAILWAYS—DISPOSAL OF DISCARDED BOXCARS

Mr. WINKLER:

1. Do the railway companies make a practice of burning boxcars such as have been used for transporting grain to the terminals and which

have been discarded because they are unsafe for that purpose and for other reasons?

2. In view of the forthcoming storage requirements on the farms due to the apparent inability of our grain elevator system to meet the storage requirements for the grain crop that is now maturing, does the government propose to facilitate the sale of obsolete grain cars for storage purposes?

Mr. GARDINER:

1. No. Practice of Canadian National Railways is to recover all possible salvage, including woodwork. Where wood cannot be sold, it becomes necessary to resort to burning, which is not the preference of the railway as scrap metal is deteriorated by fire and minor parts lost.

2. Obsolete or worn-out boxcars are dismantled chiefly because of deteriorated superstructures which are no longer weather-proof and generally in leaky condition, and unsuitable for grain storage. Canadian National Railway authorities state they have only 221 such cars scattered throughout Canada, and expense of weather-proofing superstructures and reconditioning running-gear to permit of haulage in trains would, the management state, be wholly unjustified as ensuing contribution towards storage requirements would be negligible.

ALLIED SUPPLIES LIMITED

Mr. HAZEN:

Is the Allied Supplies Limited, a company formed by the government to administer the major explosives and munitions developments now under way in Canada, giving any consideration to establishing explosives and munition plants in the province of New Brunswick?

Mr. HOWE: Replied to by the Minister of Munitions and Supply, page 1839, *Hansard* of July 23, 1940.

CONDITIONS IN GASPE AND MAGDALEN ISLANDS

Mr. ROY:

1. Does the government intend to donate part of the surplus apple crop to the settlers of Gaspé, where the harvest has been a failure, and also to the poor fishermen of Gaspé and the Magdalen islands?

2. If not, to whom, in whole or in part, will the surplus apple crop of 1940 be distributed?

Mr. GARDINER:

1. No plans have been made as yet for the final disposal of surplus apples of the 1940 crop.

2. Answered by No. 1.

Mr. ROY:

1. Is it the intention of the government to aid the fishermen of Gaspé and particularly of the Magdalen islands who are suffering from poverty as a result of the failure of the fisheries and lack of markets?

2. Will the government immediately order an inquiry into the distress of these fishermen?

[Mr. Winkler.]

Mr. MACKENZIE KING: Mr. Speaker, the hon. member mentioned seems to ask a good many questions.

Mr. HANSON (York-Sunbury): That is not objectionable.

Mr. MACKENZIE KING: No, but I wanted to point out as respects the questions asked by the hon. member that a good many of them relate to matters of government policy, and where they do they will have to be answered by saying that the answer will be made known when the policy is announced.

Mr. SPEAKER: Dropped.

Mr. ROY: I should like to say to the Prime Minister that it is in order, I believe, to indicate to the government that there is distress on the Magdalen islands.

Mr. SPEAKER: Order.

Mr. ROY:

1. Is it the intention of the government to aid the farmers of the agricultural districts of Gaspé and the Magdalen islands whose farms suffered from drought and frost?

2. Will the government institute an inquiry into the distress among these settlers?

3. If so, when will it commence?

Mr. GARDINER: The answer which the Prime Minister gave to the previous question applies to this question also.

MUNITIONS AND SUPPLY—CONTRACTS

Mr. HAZEN:

1. What is the total value of the contracts let by the Department of Munitions and Supply and its predecessor purchasing bodies since war was declared to date, for (a) war material and supplies of all kinds, (b) construction contracts?

2. What is the total value of the contracts let by the Department of Munitions and Supply and its predecessor purchasing bodies since war broke out to date, to persons or companies in the province of New Brunswick for (a) war materials and supplies of all kinds, (b) construction contracts?

3. What are the names of the persons or companies in New Brunswick to whom contracts have been let by the Department of Munitions and Supply or its predecessor purchasing bodies since war was declared, what was the nature of the goods or services contracted for in each case, and what was the price of each contract?

Mr. HOWE: Mr. Speaker, this question in practically identical form was asked and answered a short time ago. Question 2 involves the names and other particulars of several hundred contracts, and it is practically impossible to spare the clerical staff to go over that ground once again. It seems to me that the ground is covered by the statement I made to the house yesterday. The same answer applies to the hon. member's question

on to-day's order paper with regard to the Allied Supplies Limited, and I would ask the sponsor to have these two questions dropped.

Mr. HANSON (York-Sunbury): Let this question stand, and I will see the hon. member.

Question stands.

QUESTION PASSED AS ORDER FOR RETURN

EXPORT FREIGHT RATES ON GRAIN AND GRAIN BY-PRODUCTS

Mr. HATFIELD:

1. What action, if any, has been taken by the Minister of Agriculture regarding the many requests made to him by various farm organizations and county councils in the maritimes, relative to the granting of export freight rates on grain and grain by-products, to maritime farmers, to relieve their high cost of pork and dairy products production?
2. How many tons of mill feeds (bran shorts and middlings) have been exported to the United States of America during the past nine months and what was the average selling price per ton in Canadian dollars?
3. Do such exports of mill feeds receive the benefit of Canadian export freight rates similar to those enjoyed by exporters to Atlantic ports?

BUSINESS OF THE HOUSE

MORNING SITTINGS

Right Hon. W. L. MACKENZIE KING (Prime Minister) moved:

That on and after Thursday the 25th of July until the end of the session the house shall meet at 11 o'clock in the morning of each sitting day and that in addition to the usual intermission at 6 o'clock p.m. there shall also be an intermission every day from one to three o'clock.

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, before the motion is adopted I should like to point out to the Prime Minister on behalf of our small group of members that we are finding it very difficult indeed even now to attend to the business that has to be dealt with. There are three committees sitting on which we are represented; the committee on the defence of Canada regulations, the banking and commerce committee, and the unemployment insurance committee. This morning I sat in one of these committees from ten to one o'clock and the committee meets to-morrow again at ten o'clock. These three committees are sitting also in the afternoon and evening. There are in the estimates a number of items in which we are interested and in connection with which we wish to bring forward certain matters, but with the house sitting at eleven o'clock in the morning it will be impossible for us to do properly the work we are supposed to do, and I think our whip conveyed that information to the chief whip of the government before the motion was introduced. We are willing to do all we can to facilitate the business of the house, but we feel that as private members we are unable to cope with the business we are expected to do if the house is to sit at eleven o'clock in the morning.

Mr. MACKENZIE KING: May I say to my hon. friend that I think all of us are beginning to feel the pressure of committees, the sittings of the house and other duties, and may I venture to say no group more than the ministry itself. My hon. friend will realize that if the house sits in the morning, afternoon and evening, the only time the cabinet has left to hold its daily meetings is between the morning and afternoon sessions, and we shall have to arrange possibly to forego luncheon altogether in order to cover the day's work. But we are prepared to do that if it is going to help members generally to complete the work of the session. I do believe that by some adjustments and mutual cooperation it should be possible for the members who are obliged to do so to attend the committees to finish what work remains to be done, and a sufficient number of other members to remain in the house to look after questions that others may wish to ask and to follow the proceedings. I would say to my hon. friend that the government will try to arrange the business of the house in a way that will inconvenience his group and others as little as possible. If some matter should come up in the house when an hon. member who may wish to speak on it is absent, and someone on his behalf asks that the matter be allowed to stand, we shall try to meet the convenience of hon. gentlemen in that way. If there is that spirit of cooperation generally, as I am sure there is, we shall gain in the end by beginning morning sittings to-morrow. I have not suggested taking this Wednesday evening and I refrained from so doing purposely, also from asking to take Saturday of this week. With morning sittings of the house on Thursday and Friday we shall have Saturday and Sunday intervening before continuing with three sittings a day next week. If we begin morning sittings to-morrow I will put a notice on the order paper to take next Wednesday evening and also the Saturday following in case we should run on that far, but I think we might be able to get through the business of the house early next week if we start morning sittings to-morrow.

Mr. CHURCH: Is it the intention to sit in the morning next Saturday?

Mr. MACKENZIE KING: Not this Saturday.

Hon. R. B. HANSON (Leader of the Opposition): If there is any general disagreement with the object of the resolution I should think the Prime Minister would be wise not to press it, but if there is substantial agreement I think we ought to pass it. We are all anxious to conclude the work of the session. It is true there will be inconvenience once morning sittings start, but I am in accord with the principle of the resolution, and unless there is substantial opposition I think it ought to be passed.

Motion agreed to.

PRAIRIE FARM ASSISTANCE

AMENDMENT OF 1939 ACT TO PROVIDE FOR ESTABLISHMENT OF BOARD OF REVIEW

Hon. J. G. GARDINER (Minister of Agriculture) moved that the house go into committee to consider the following resolution:

That it is expedient to introduce a measure to amend the Prairie Farm Assistance Act, 1939, to provide for the establishment of a board of review to determine the average yield in townships and the eligibility for assistance, and to make provision for the payment of administrative expenses incurred under the act.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Mr. DOUGLAS (Weyburn): This is just a notice of motion, is it not? It appeared only in yesterday's votes and proceedings.

Mr. GARDINER: With the consent of the house we should like to advance the measure one step to-day. Everything which can be discussed on the resolution can be discussed on the second reading.

Mr. COLDWELL: Mr. Speaker, we are not going to object to that, but we do object to the thing being done without the consent of the house having been asked; that is all. We are glad to facilitate business, but if the minister wishes to expedite something he should ask the permission of the house.

Mr. GARDINER: I apologize for not having done so before. I now ask the consent of the house.

Motion agreed to and the house went into committee, Mr. Vien in the chair.

Mr. HANSON (York-Sunbury): I think the minister ought to make some explanation before this resolution carries.

Mr. GARDINER: When the Prairie Farm Assistance Act was under discussion a year ago, when it was first introduced, the suggestion was made by some hon. members, I believe on both sides of the house, that it might be advisable to place in the hands of a board some of the authority which was being placed in the hands of the minister. I stated at that time that we should like to have a year's experience of the act before deciding definitely what form of board might be used for that purpose. It will be recalled by hon. members that during the year, having advanced to a certain stage under the administration of the minister only, we appointed a committee of review, to review the evidence which had been gathered with regard to yield. We are recommending that the act be amended this year to provide that a board, instead of a committee of review, be set up under the act, which will be empowered to do many things which were done last year by the minister.

So far as the sections of the act are concerned which make provision for the entrance of different provincial areas under the terms applicable to crop failure, it was provided last year that Saskatchewan came in with 135 townships; Manitoba and Alberta or either one of them, was required to have 100 townships each under five bushels to the acre in order to qualify. This year we are changing those figures, making for Saskatchewan 171, which is an increase of 36 townships or four municipalities: we are decreasing Manitoba from 100 to 54, and we are decreasing Alberta from 100 to 90. We regard these as constituting a better distribution of the numbers of townships which would suffer crop failure before effect is given to the act in any one of the three provinces.

Another section of importance provides that along the borderline of areas which are coming in under any of the categories, municipalities will have something to say with regard to where a boundary line will run. To-day the act provides that the boundary lines run at right angles on the township boundary line. We are now making provision, in consultation with the municipal council, that the line shall run where the deviation actually takes place as between an area of crop failure and an area which is better than a crop failure, or an area in the 8-bushel to the acre category and an area in the 12-bushel to the acre category, as the case may be.

Another provision restricts the payment to persons who have not more than 3,000 bushels of wheat, provided that their yield is not over 8 bushels to the acre. In other words, the only persons having over 3,000 bushels of wheat who are entitled to payments under the act are those who have yields of less than 8 bushels to the acre.

These are the most important features of the amendments.

Mr. PERLEY: I believe it is commonly agreed that the administration of the act last year was most unsatisfactory, for instance as regards inspections and the delay in payments. There are many ways in which the act could be amended to make it operate better and in particular to ensure that the payments due are made in the proper time. I understand that municipalities have made suggestions, and that at the recent convention of reeves and secretaries of municipalities they offered their services to the government this year to assist in arriving at average yields and yields per acre, so to speak, within their areas.

At this stage I do not propose to detain the committee, but when the bill itself is in committee I shall have one or two suggestions by way of amendments which I believe are worth while. If the minister will agree to give them consideration at that stage I will refrain from delaying the proceedings at this time.

Mr. DOUGLAS (Weyburn): There are a number of matters I desire to raise when this bill comes before the house, but I am quite willing to leave them until then, so as to prevent discussion straggling over a period of time.

There is, however, one suggestion I should like to make to the minister before the bill comes down in order that it may be incorporated if it be regarded as at all feasible. Under section 3, in what is called a national emergency scheme, payment of a bonus is contingent upon the price of wheat being less than 80 cents a bushel. The minister will remember that this question was discussed last year. At the moment it is, perhaps, not a very pressing problem, but had the price of wheat stayed where it was two or three months ago—and circumstances might arise to bring it up again; for this is not a field in which a person can prophesy with any degree of certainty—or if wheat were to reach a price in excess of 80 cents, the people who would qualify under section 3 of the present act would not be able to qualify, not because they have not a small enough crop, not because they are not entitled to it, but because the price is more than 80 cents. I know that if 135 townships in Saskatchewan had crop failures they would come under the assistance scheme, but if the number were only 60 or 80 or 100 the farmers in those areas would be debarred unless some change were made in this act.

I would ask the minister to give some consideration to incorporating that idea in the bill. It might not cost the government anything, but it would be very wise to enact that the provisions under section 3 would apply to those who qualified if their crops run into the 4 or 8 or 12 bushel classification, irrespective of what the price may be basis Fort William.

Mr. CHURCH: Hon. gentlemen opposite were for many years free traders so far as the grain growing industry was concerned. They said that our markets for this commodity were down south and not in Britain, France and in the markets of the world. Now, since the present minister came into power, we find that he has been adopting advanced protective measures for the benefit of this industry—bonuses, subventions and subsidies all along the line running into millions of dollars. Last year no one could estimate the loss to the people of Canada. I do not object to liberal allowances to the farmers of the prairies in view of the emergencies of the past few years and the consequent unfortunate position in which the people in that part of the country have been placed, but the principle of this bill, if it is right, should be extended to the farmers of Ontario and Quebec, who have been suffering just as much as those in the prairie provinces. The farmers of these two industrial provinces are largely children of the soil; they and their parents before them have been there for generations. When this resolution was introduced a short time ago we were told that it was only a temporary measure to tide over the emergency of that particular year, but now we find that it is tending to become permanent. If the legislation for assistance to the prairie farmers is right in principle, then I contend it should be extended to the provinces of Ontario and Quebec.

There are certain questions to which I should like to get an answer from the minister. First, what is the government's policy in regard to the orderly marketing of wheat under this legislation? Secondly, has the minister had any conference with the Hon. H. A. Wallace, Secretary of Agriculture in the United States, with regard to the orderly marketing of wheat, in view of the situation created by the war? In the third place, has not this form of assistance been discontinued in other neutral countries, having regard to the war and the financial situation? In view of the heavy burden of debt necessitated by the war to-day industry is being penalized very severely, paying a tax of 18 per cent, plus 75 per cent, and other levies imposed under the different acts passed by this parliament. This being so, I submit that the government should consider very carefully the

question whether Canada can afford at the present time to continue this practice under a board of review. Everything is being done through boards these days. There is a board for almost every measure that is proposed in this house. There are boards and officials right and left, and the day that passes without the appointment of a board seems to be regarded by the government as a day that is lost. We are fighting Hitler through boards. In my opinion we should have a proper survey of the whole situation with which this legislation is intended to cope. It has not been considered by the committee on agriculture. As usual, an important matter of this kind has been left to practically the last week of the session. The house will be closing soon now and this particular measure should have been given careful consideration by the committee on agriculture.

Mr. GARDINER: To answer the first question, if we were to apply the principle of this bill to any of the eastern provinces it would never come into effect in that part of the country. Even if we wrote the bill in exactly the same terms and endeavoured to apply it, it would never come into effect in those provinces. The average yields and price, if applied in the other provinces, would automatically throw the act out. With regard to the policy on wheat, that comes under the Minister of Trade and Commerce and, I presume, will be dealt with when the next resolution on the order paper comes up for consideration.

Mr. HANSELL: The resolution would indicate that the legislation that is to follow will bring about a smoother functioning, in part at any rate, of the administration of this act. That, I think, is highly desirable, because if there is any reason for people to become dissatisfied, most likely that reason will arise from some criticism of the administration. I am not saying whether there has been any criticism, but naturally people are concerned with the administration of any enactment in which they play any part.

A short while ago an order for a return was passed in the proper way and it would have resulted in bringing down some information with regard to a certain part of the administration of this act. It would have thrown some light on the subject. One order for a return, in my name, was issued on June 12, six weeks ago, as follows:

For a copy of all correspondence, letters, telegrams and other documents during the years 1939 and 1940 to date, exchanged between the dominion government, or any official thereof, and the government of Alberta, or any official thereof, with respect to the Prairie Farm Assistance Act.

I do not think that should have required a great deal of time. I do not believe the correspondence was either exhaustive or voluminous. On June 17, five weeks ago, another order for a return, also moved by myself, was passed as follows:

For a copy of all affidavits sent in under the Prairie Farm Assistance Act from farmers in townships 10 and 11, range 27, west of the 4th meridian, and received by the Department of Agriculture, showing the amount of wheat raised in that area.

I had no ulterior motive in placing these motions on the order paper and in seeking the returns. As a matter of fact, I thought that possibly I could assist the department by making some personal calculation, and that was my particular reason for asking for these documents. One of these returns was ordered six weeks ago and the other five weeks ago. About ten days or two weeks ago I asked the minister when I could expect them. I have not yet received the returns. I am not criticizing the department now, but the day after I inquired when I might expect the returns, I received a telephone call from the department and I understood that the returns were just about ready. I explained to the gentleman who spoke to me—I do not know who he was; it was one of the minister's secretaries—that if I could be of assistance to him in doing any work or in having the stenographer assigned to me help out, I should be willing to do it. I have not yet received the returns. May I ask when I may expect them? Both are to some extent related to the administration of the act. I do not want them for the purpose of criticizing, but merely for information. There should be nothing in the returns that is particularly private, and I do feel a little concerned that I have not yet received them.

Mr. GARDINER: I am not certain whether it was the hon. member for Macleod or another hon. member who asked me with regard to either this order or a similar one. The order asks for the declarations made by the individual farmers in I think townships 10 and 11 in a certain area. The answer I gave the other day with regard to a similar request for an order for return was that these are confidential returns, and we do not think it proper to lay them on the table of the house and make them available to the general public. They are returns with regard to yields which the individual has declared and sent in. We have checked them in order to determine whether they are correct, but we are not certain that these individuals would desire to have the information placed upon public record to be used by anyone who cares to use it. For that reason we do not like to

bring that kind of information down. But I have no objection to the hon. member coming to my office and checking up on anything he desires in order that he may be able to discuss the matter freely in the house.

Mr. HANSELL: I quite understand that there may be something in what the minister has said. Perhaps it would not be wise, if the minister did this in my case, to do it in every case, because naturally people do not like other people to know their business.

But I should like to know the position of parliament when an order for a return has been passed by the house and the return is not forthcoming. In view of my short parliamentary experience I have, of course, a good deal to learn. But I think when the order was made the minister might have said something similar to what he is now saying. The basis of this particular order is this. Of course we all realize that sometimes certain farming communities go to their municipalities or secretaries or some body of men to help them out in matters of this kind. I received a letter from a certain municipality asking information with regard to this matter. They evidently had information from various farmers in those townships as to what they declared to be their yields, and their figures apparently brought them within the act. They did not give me the figures but they asked me if I could get the information. It seemed to me the best method of procedure was to move for a copy of the affidavits; all I wanted was to get what returns the farmers in this community had made so that I could send the information back to the municipality. Surely there was nothing out of order in that.

In connection with that particular return, would the minister give me privately, without laying the information on the table, the names of the farmers who sent in affidavits, and the amounts of yields they declared?

Mr. GARDINER: I think the officials responsible for those records would probably want to say something as to whether the information contained therein should go out. For example, we attempt to get from 300,000 farmers, between seeding and harvesting time, a statement of the exact acreage of different types of crop seeded or the acreage under summer fallow. Later on, an application may be made for assistance in that township. We then question whether they are entitled to assistance or not, and if a question is raised as to whether they are entitled to assistance under certain regulations then there is a committee of review. When that committee and our inspectors disagree, an appeal is allowed, and under that appeal the farmers make sworn declarations as to their acreage and the amount of wheat they grew on that acreage.

It sometimes happens that the statements made in their letters sent in early in the season do not agree with the statements sworn to later on. In most instances that simply turns out to be a matter which most farmers understand. A farmer takes the measurement of his acreage from his seed drill; it is on the drill when he finishes sowing the field. But if three months later he were asked what the acreage of that field was, he might be five or ten acres out. Often farmers do not keep a copy of the return they make, and if one of them were asked six or seven months later to sign a declaration as to his acreage and what the return of wheat was, he might be out ten acres or even fifteen. I have known instances where he has been out more than that. But knowing the conditions under which farmers keep records and the number who do not keep records, and the conditions under which they farm in western Canada, I can understand how that might happen purely as an accident. On the other hand I would hesitate to turn over the form which the farmer made at the time of seeding and the other made perhaps six months later when he takes a sworn declaration that he believes the crop to be so-and-so, and have anyone criticize the fact that the two statements do not agree, because I think in nine cases out of ten, or perhaps even ninety-nine out of one hundred, he is trying to be right in both instances. We would rather not give that kind of information to the public generally, because that would make it very difficult to get the same kind of information later.

Mr. GERSHAW: If there ever were a year in which some assistance is needed it is likely to be this year; for the information I have is that a large portion of the crop has again suffered from drought and that there will be a great deal of hardship during the coming winter. As far as Alberta is concerned, it strikes me that ninety townships is rather a high number to require, because the benefits under the "emergency year" are not as good as those under the "crop failure year". The situation in Alberta is that part of the south seems to be faced with a severe crop failure, whereas the irrigated districts and the part to the north will not suffer so much. Consequently our people there may be compelled to accept a much smaller amount than they would receive if they could come under the "crop failure year" benefits.

Again, this is not an insurance scheme, because if a man has a small job, such as a postmastership or secretaryship of a municipality, he is not eligible for the bonus, although his salary may be trifling compared with the amount he has lost on his farm.

This leads to severe trouble and difficulty in the administration of the act. I hope some means can be worked out which will make it unnecessary for the farmer to spend days and days travelling round getting affidavits from the different residents of the township as regards yield. This seems to be an entirely unfair proposition. Another factor is that there may be considerable rainfall in one part of a township, but practically none in another part of the same township. I know of instances where a man has harvested eighteen or twenty bushels to the acre, and still has been eligible for and has received the bonus, whereas another man with two or three bushels to the acre has failed to receive it.

Administration has been difficult, and I do hope that that figure of ninety townships for Alberta can be changed. I hope the administration will leave less opportunity for bitter dispute among the different parties to the agreement.

Mr. HANSELL: I do not think the minister quite completed the answer to my question as to when I might expect the return ordered about six weeks ago in respect of correspondence which has passed. May I ask, further, the procedure, under parliamentary practice, with respect to orders for returns. When may I expect the order for return issued on June 12?

Mr. GARDINER: I have before me the order for return dated June 12, and it would appear to be a large order. Much of the correspondence takes place between our inspectors in the field and one or other of the governments mentioned. Much of it takes place between the Regina office and one or others of the governments in question, and it would be necessary to go through a considerable amount of correspondence in order to be sure that we have all the letters and telegrams. I am sure that information will be brought down as soon as we can get it. The Regina office must be searched; our office in Ottawa must be searched, and then we must make certain as to what has happened in the offices of some of our inspectors, particularly those in charge of districts. As soon as we can get that information it will be placed on the table. No delay has been caused by anyone, and there is an attempt being made to obtain it as soon as possible.

Mr. HANSELL: I accept the minister's statement, and have no intention of casting any reflection upon him or the department he heads. I believe all hon. members are agreed that he is an able minister of agriculture.

[Mr. Gershaw.]

Mr. JOHNSTON (Bow River): That is going pretty far.

Mr. HANSELL: I would point out, however, that I should be able more intelligently to discuss the measure if I had before me the correspondence which has passed between the two governments.

Mr. CASTLEDEN: The minister has informed the committee that the figure for Saskatchewan has been raised from 135 to 171 townships. That figure must be reached before Saskatchewan becomes eligible for bonus or assistance under this measure. Working from those figures I find that in Saskatchewan there can be 3,900,000 acres producing less than five bushels to the acre, and still Saskatchewan will not qualify for the bonus. How has the minister arrived at these figures? It seems to me there are certain areas in Saskatchewan upon which this provision will work great hardship. I understand the minister is going to break down the townships into smaller units for purposes of bonus.

Mr. GARDINER: With regard to the question how we arrived at the figures, I would point out that we have had an experience extending back over ten years. We have had to deal with difficult crop situations, accompanied by low prices. Those two things coming together over a long term of years have created a difficult situation.

The practice followed, not only by this government but since 1931 by the previous government, in deciding whether or not the federal government had any responsibility, was based upon these facts: First, in the early days the responsibility for assistance to farmers in western Canada was considered to be a federal responsibility only so long as the land remained under the ownership and control of the federal government. As soon as the individual on the land obtained his patent, then the responsibility became that of either the province or the municipality. That was the position when homesteading was taking place in the west and when assistance was given by way of seed grain, and matters of that kind. When assistance of any kind was given the federal government assumed the responsibility so long as the person in question was homesteading, and therefore was on land which belonged to the federal government and which might eventually be obtained by patent from the federal government. But when the person in question obtained the patent the responsibility was shifted to one or other of the local forms of government, either provincial or municipal. Through the years, as homesteading steadily diminished,

practically all responsibility passed to the provinces and municipalities.

Then we reached the difficult period in which we experienced ten years of drought and low prices. The federal government of the day took the position that if a province could demonstrate that the problem was so great the province could not take care of it, the federal government would assume some responsibility and by some method would attempt to find out to what extent that responsibility should be assumed. The results have been followed by hon. members during the last ten years. As we gained experience under one government or another during that time we finally came to the conclusion that until approximately twenty-five municipalities in a province were in trouble the problem was not too big for the province. I believe that was assumed in all cases. Then as we went along from year to year the question arose as to when a problem was not too big for a province to handle. The federal government took the position in all provinces that when they got down to ten municipalities we would not give any further assistance, and the province in question would have to take care of its own problem.

Last year we decided to attempt to meet the problem in some way other than that of compelling people to go to municipal councils to plead for assistance, they in turn going to provincial authorities for assistance, and the provinces in turn coming to Ottawa. Through legislation we attempted to set up a system whereby under certain prevailing conditions we would assume some responsibility. We attempted to cover some of the local responsibility, whether provincial or municipal, by placing a levy of one per cent on all grain delivered to the market by persons growing grain in a given area. Then we assumed the further responsibility, on the part of the federal government, to put more money into a fund to take care of the payments which might arise under the terms of the act.

Last year by way of experiment we set 135 townships in Saskatchewan, or 15 municipalities, as the number required before the federal government would assume responsibility. We set 100 townships for Alberta and 100 for Manitoba. I remember when the matter was discussed at that time hon. members for Alberta and Manitoba raised objection to those figures. At the time of the discussion we had a fairly clear idea that there was not going to be a serious crop failure in either Manitoba or Alberta, but that there was likely to be one in Saskatchewan. I pointed out to the committee at that time that section 3, which provides for emergency assistance, was bound to apply to all three provinces, because we made it apply automatically on account of the fact that there had been ten crop failures over the previous years. We decided that it was not so important to figure it out on the exact basis which would be necessary in order to determine whether these provinces should or should not come in, so the committee at that time accepted 100 for Manitoba, 100 for Alberta and 135 for Saskatchewan. The understanding was that we would base these figures upon the experiences we had had through the year, as well as the experiences of previous years as shown by the statistics. After having made a study of the best statistics available and taking into consideration the conditions which prevailed this year and those which possibly might prevail in the future, we think that the figure 171 for Saskatchewan, a little more than half that for Alberta and a little more than half of the Alberta number for Manitoba constitute about the right division.

We have departed slightly from the old position that a province, whether it was Manitoba, Alberta or Saskatchewan, was always able to look after its own affairs, so long as only a certain number of municipalities were in difficulty. We think we should consider the crop failure area or the drought area as being more in the nature of one large unit extending through the southern parts of the three provinces, rather than consider the possibility of the province being able to look after all the difficulties within its own boundaries.

Mr. DOUGLAS (Weyburn): How many townships in Saskatchewan qualified last year under this crop failure assistance section?

Mr. GARDINER: Two hundred and sixty.

Mr. DOUGLAS (Weyburn): I have asked the minister to consider seriously this matter of raising the number of townships which must be in trouble in Saskatchewan in order that that province may qualify. Under section 3 the national emergency which applied by statute to last year, does not apply by statute to this year. This year will not be an emergency year unless an order in council is passed to that effect. Unless the minister gives some intimation that the government intends to pass such an order in council we might as well consider the national emergency feature as being out. That leaves us only the crop failure assistance. The reports we are receiving are that conditions in Saskatchewan are bad. There has been considerable drought during the last few hot days, and the report I get is that in two-thirds of my con-

stituency they will not even have feed. If the minister raises the number of townships necessary to qualify to 171, it will mean that 160, 165 or 170 townships can have no crop; the people will not be able to qualify for the bonus under this section, yet they will not be able to qualify under section 3 unless an order in council is passed. We have no guarantee that this will be done. It means we can have a stretch of country 100 miles long and some sixty miles wide with no crop and no provision to take care of the people living therein. Relief has been cut off for July and there is no guarantee that it will be resumed again. I submit that to raise the number of townships necessary to qualify will cause a serious hardship to these people. The minister has not advanced any satisfactory reason why the number should be raised from 135 to 171. If the minister brings down the bill containing a provision that 171 townships are necessary to qualify, I can assure him that the difficulties of getting it through this house will be just as great as I and those associated with me can possibly make them.

Mr. CASTELDEN: In how many of the past ten years have there been 170 townships in Saskatchewan that would qualify?

Mr. GARDINER: I cannot give an answer offhand, but I shall probably be able to do so when the bill is in committee or at some other stage. I can say that in the most difficult years of the last ten the number would be considerably higher than 171. For example, in 1937 we took care of 170 municipalities, and there are nine townships to a municipality. We took care of 100 per cent of the requirements of that number of municipalities and fifty per cent of the requirements of a number of others. Last year there were 260 townships, and I would say that in 1931, which was the first really difficult year, there were approximately the same number as in the year when we took care of 170 municipalities. There would be no question at all that in the difficult years Saskatchewan would come under this arrangement.

With regard to what the hon. member for Weyburn (Mr. Douglas) said a moment ago, under the act it would be impossible for the government to pass an order in council before November next. The previous act provided that the average price of wheat must be under eighty cents between August 1 and November 1. Until November 1 we are not in position to determine whether we have the power to pass an order in council. During the month of November we would have to consider the conditions existing. I am speaking from memory, but I think I am correct when I say that under the terms of the act it is impossible for us to make any payments without an order in council first being passed. An order in council is required to declare a crop failure area in any province. Orders in council precede everything that is done under the act. Some of these orders in council were asked for by the opposition, probably not by the group of which the hon. member for Weyburn is a member, but by other hon. members on the other side.

Mr. DOUGLAS (Weyburn): The minister is quite correct when he says that the crop failure assistance section cannot be brought into force until the government has declared by order in council an area to be a crop failure area. The moment they become convinced that there is a sufficiently large area with a sufficiently small crop to warrant its being declared a crop failure area, they can do so, but if section 3 is left the way it is they cannot declare that area to be an emergency area until November 1, when they would know the price. That is why I ask the minister to consider taking out that section which requires the price to be less than eighty cents a bushel. It was not in the first draft of the bill brought down last year, and we never had a satisfactory explanation of why it was put in. The first draft of the bill was much better, and the situation would be greatly improved if this section were taken out. It serves no useful function except to make it impossible for the government to declare an area an emergency area until on in November, which means that the question of paying a bonus would be deferred until December or January.

Mr. QUELCH: I think the majority of hon. members who have come into contact with the operations of this act during the past year admit that it has failed to take care of many farmers who, I believe, had every right and justification to expect protection under this measure. In my opinion this is due to three main causes. First, there are certain undesirable features in the act; second, there are certain undesirable features in the regulations and, third, this is due, partly to its being a new measure and the people in control not having had sufficient experience, partly to the incompetence of those who were handling the act and to the partisan way in which it has been administered in certain districts.

I shall deal first with the undesirable features in the act and I shall refer to sections 3 and 4. It will be remembered that when these sections were introduced last year, we in this corner attacked certain clauses

therein. The minister will agree, I think, that as a result of section 3 many farmers received the bonus in spite of the fact that they threshed twenty or thirty bushels to the acre. It is true that the amendment to be introduced will take care of that situation in some instances, but in others it will not.

It is also true that many farmers who threshed considerably less than twelve bushels to the acre, and some who threshed less than five bushels, did not get the bonus. That is a noticeable feature, and the amendment to be introduced will not take care of that situation entirely. In some instances it will, and in others it will not. Where there is a large body of land in a block, it would, but the hon. member for Moose Jaw (Mr. Ross) knows very well that land of the same quality does not necessarily lie in the same block. There may be a section of heavy land, a section of light land adjoining it, and then a section of heavy land. Especially in the area in which I live, from Morin east to Hanna, it is not a solid block at all, but the quality of the land varies widely. There will be light land and then heavy land and then light land. You cannot take part of one township and part of the adjoining township and always call it one block of similar soil. You have to deal with the matter on an individual basis. You may have a township where 60 per cent of the land is heavy and 40 per cent light, and in view of the fact that 60 per cent of the land is heavy the average yield in all probability will be above twelve bushels to the acre. Therefore no bonus will be paid. But that does not help the farmer who is situated in the 40 per cent area which is light land. He will probably be threshing less than twelve bushels to the acre, and just because he has the misfortune to reside in the township where 60 per cent is heavy he is not eligible for the bonus. And vice versa, 40 per cent may be heavy and 60 per cent light, and the average yield would be probably below twelve bushels to the acre. The farmer in the 40 per cent area may have a yield well above twelve bushels to the acre, but because he is fortunate enough to reside in an area where the majority of the land is light he will get the bonus. There is no justification for that.

I know that in drafting an act it is not possible to provide for all eventualities, but when we realize that a certain condition exists and we have had one year's experience of the operation of the act, I contend that there is no justification for allowing that condition to continue. The minister admitted last year that there was a certain injustice in this situation and that it might be possible to correct it on a soil classification basis. I admit that this would be fairer than the township basis, but it would not take into consideration the question of moisture precipitation. I maintain that the only really sound basis is the individual farm basis in order to make it a real crop insurance scheme. I realize that there are certain difficulties in doing that, but at least every man who contributed would be eligible for the bonus if he had a crop failure. Under the present scheme, however, a farmer or his family may contribute for a hundred years, then have a total crop failure, and yet get nothing.

There is another point. At the present time the determining factor is the yield per acre. The minister will remember that last session we stressed that the bonus should depend not so much upon the yield per acre as upon the dollar value of the yield. At the present time if the average yield of a township is eleven bushels of No. 1 wheat, the bonus can be paid, but if the average yield is fifteen bushels of feed wheat, no bonus can be paid, and yet the actual value of the return to the farmer from the feed wheat is less than if he had had the No. 1 crop. That situation should be taken care of. While we are drafting a bill, let us make it a bill that will deal with the actual situation in the most equitable way possible, instead of dealing with it by this hit-or-miss method.

The minister says that we should not expect too much from any new bill in the first year of its operation but be satisfied that we are going in the right direction. But the present law not merely fails to hit the bull's-eye; it misses the target altogether as regards those farmers who had a light crop and a small yield in a township where the average yield was above twelve bushels to the acre.

In regard to section 4, when the bill was introduced last year the minister stated that in Alberta and Manitoba the bonus was going to be paid provided that the number of distressed townships was 135 or over, but upon representations being made that number was reduced to 100. We maintain that 100 is still too high, and that ninety as proposed in amendment would be still too high.

Mr. DOUGLAS (Weyburn): What about Saskatchewan?

Mr. QUELCH: In Saskatchewan the area is very much larger than in Alberta or Manitoba, and there is justification for having a greater number of townships than in the other two provinces. I cannot agree with the minister's stand that if the area is less than ninety townships, the problem is sufficiently small for the provincial government to be able to take care of it. There might be some justification for

that stand if the farmers were not compelled to contribute to this scheme, but they are compelled to contribute one per cent. Suppose there is an area of fifty or forty townships where not one bushel is threshed. I have seen that condition time and time again. The crop may be burnt up completely, and the farmers may have been contributing for several years. Is the government going to tell them that they are not eligible for the bonus and that they must go on relief. Why should the provincial government have to provide the money for their relief after the farmers have been contributing one per cent of their crop? Mark you, the federal government is making not a grant but a loan. The act says, a loan. I would remind the minister that the former Minister of Finance, Mr. Dunning, stated in the house last year that if the act had been in operation for twenty years we would by that time have had a considerable fund to take care of the situation.

Mr. GARDINER: When he made that statement he had not examined the records because the records show that over a period of eighteen years there would have been paid out $180,000,000 and only $31,000,000 collected.

Mr. QUELCH: His statement will be found at page 3839 of *Hansard* of last year. Mr. Dunning said:

> If we should be fortunate enough to have the returns that we have had in the past twenty years, then I can see the basis of a fund which will be standing there to help in days when calamity overtakes us.

That showed that Mr. Dunning believed that it would be possible under this act to build up a fund with a contribution of one per cent, and if the farmers are to make that contribution, then when there is a crop failure in forty or fifty townships they have every right to expect compensation. This act is an attempt on the part of the federal government to shelve that which is recognized as a federal and national responsibility, to remove it from the shoulders of the Canadian people and place it upon the shoulders of the farmers of western Canada. Agriculture to-day is the only industry in Canada to which the government is saying: We are going to increase taxation against your industry and against your industry alone in order to provide for people in your industry who are in unfortunate financial circumstances. But the government does not say to the manufacturers: We are going to increase taxation against your industry and against your industry alone to take care of the distressed people in your industry. They do not say to the coal mine operators: We are going to increase taxation against you to provide assistance for the distressed coal miners. No, they are assisted from the general revenue fund. It is to agriculture alone that the government says: We are going to make you pay a higher taxation in order to take care of the people in your industry who are in unfortunate financial circumstances. That is rank discrimination.

If this was a crop insurance scheme I would have no objection to the one per cent levy. The farmers of western Canada would, I believe, be willing to pay a higher levy, two or three per cent, if in return they were guaranteed that in the event of a crop failure from any cause they would get a satisfactory form of assistance.

I have been amazed to hear western Liberal members call this a crop insurance scheme. It is a farce to call it that. I would ask the minister this question. Suppose he insured his house against fire and his house burned down. What would he say if the agent came to him and said: I am very sorry that we cannot pay you any fire insurance because ninety other houses did not burn down at the same time. What kind of insurance would the minister call that? Yet that is exactly the same situation as these farmers are in. A township may be burnt up completely with drought, and they are told they cannot get any assistance unless there are another ninety townships being burnt up at the same time.

I am satisfied that the farmers would not object to having their levy raised from one to two per cent and perhaps to three per cent if they were guaranteed that in the event of a crop failure they would get satisfactory compensation. I make that statement because I have been in touch with my constituents. I sent out over fifty questionnaires to every part of my constituency, covering it pretty thoroughly, and every letter I received was to the effect that they would not mind it if the levy were raised provided they got crop insurance on an individual basis instead of being on drought relief.

Mr. DOUGLAS (Weyburn): Drought relief which they cannot count upon.

Mr. QUELCH: Yes, drought relief which they cannot count upon; because conditions are so complicated that in many instances it is only a miracle if the farmer gets a bonus at all. We know the chaotic condition which exists as a result of these sections of the act and of sections in the regulations which in many instances have set the act absolutely at nought.

The hon. member for Macleod said that he believed the Minister of Agriculture was an able minister. If he is, I am satisfied he

cannot have been responsible for the drafting of sections 2 and 3 of the regulations, because nobody with any knowledge of conditions in western Canada could possibly have drawn up such regulations as these, which are foolish and cannot be fulfilled. I am satisfied that if they had been submitted to parliament they would never have passed, because anybody familiar with conditions out west would have known that they were impracticable. I will read sections 2 and 3 of the regulations:

2. For the purpose of making awards to farmers under the act, the minister may require that a province within the spring wheat area make application prior to the fifteenth day of August in any year to be included under section 3 or section 4, or both, of the act.

3. Such application shall be supported by a list of the townships considered to be eligible under the act with all available information pertinent to such application.

Mr. GARDINER: That is not impossible. Some of the provinces did it.

Mr. QUELCH: The minister also stated in a letter I received that if these sections, referring to them all, were not complied with in future, the bonus would not be paid. The minister knows very well that in Alberta—and I am speaking of that province because I am familiar with it—it is not possible by August 15 to say with any certainty that this or that township is going to have an average yield of twelve bushels to the acre or, it may be, twenty bushels to the acre. For example, in years when crops are very late—and I have seen many of them—on August 15 you will have a very green crop of wheat which may look as though it might go twenty bushels to the acre, but on August 17 or 18 you may have ten degrees of frost and the yield will be cut down by one-half. The minister knows that. Again, you may have a very late crop of green wheat on August 15, followed by three weeks of blisteringly hot winds, reducing the yield by fifty per cent. Yet, according to the minister's own words, if the province has not already listed certain townships they will not be able to get the bonus for those areas.

I will show the minister how absurd these regulations have become. The only way whereby a province can make absolutely sure that its farmers will get the bonus if they have a low crop is to submit a list of all the townships in that province. Then they will be safe. They will have made sure that none is excluded. But how much help would that be to the minister? Yet the minister says that any townships may be excluded if they are not included in the list submitted on August 15.

I wrote a letter to the Minister of Agriculture regarding the confusion which seemed to exist in Alberta with regard to the payment of the bonus, and this is the reply I got:

I can quite understand that there have been complaints from the province of Alberta with regard to the administration of the Prairie Farm Assistance Act.

And he goes on to say:

We set the date last August fifteenth as the last date upon which application could be made by a provincial government to bring any township under the Prairie Farm Assistance Act.

Then he continues:

On August fifteenth we had no applications. . . .

Mr. GARDINER: From Alberta.

Mr. QUELCH: From Alberta. Well, the minister knows whose fault that was. It was entirely due to the slackness of the federal administration. That was not the reason the minister gave in the letter. The reason given in the letter is this:

It was afterwards found that this was due to the fact that a letter sent to Edmonton was addressed to the department of municipal affairs instead of being addressed to the department of agriculture, and the letter was not transmitted from the department of municipal affairs to the department of agriculture.

That was not the reason at all. The reason was that the forms of application were not mailed from Regina to Alberta until August 14. Yet they had to be filled in by the fifteenth—an absolute impossibility. They were actually in the mail. Yet the minister attempts to blame the confusion on the fact that the forms were not returned. I know that they were not mailed from Regina until August 14, because I have before me a copy of a letter written by Mr. A. R. Mackie saying that they were mailed on that date. Yet according to the minister's own word, unless the regulations are complied with, no bonus will be paid.

Mr. ROSS (Moose Jaw): Of what forms is my hon. friend speaking?

Mr. QUELCH: The forms I am referring to are those upon which the townships had to be listed. I will refer to the correspondence.

On August 5 the province of Alberta wrote to Mr. Mackie, superintendent of the prairie farm assistance branch, Regina:

In compliance with the regulations under the above act, I have been instructed and hereby make application for the inclusion of the province of Alberta under sections 3 and 4 of the above-named act, and would respectfully request that the awards be extended to farmers within this province.

The Alberta commissioner received this reply, dated August 9:

I have your letter of August 5 in which you make application for the inclusion of the province of Alberta under sections 3 and 4 of the Prairie Farm Assistance Act.

I would ask you, however, to note that the regulations under this act specified that such application by a province should be supported by a list of the townships considered to be eligible under the act, with all available information pertinent to such application. Forms for this purpose are in the process of preparation, and will be mailed to you as soon as they are ready.

I had hoped to be able to see you in Edmonton before this, but the deterioration of this crop has been so tremendous during the recent hot spell, that the appointment of fieldmen and giving them their work has taken all of my time.

Mr. DOUGLAS (Weyburn): What is the date of that letter?

Mr. QUELCH: August 9. Then on August 14 this letter was sent to Hon. D. B. Mullen, Minister of Agriculture for Alberta:

Enclosed please find a number of forms for your use in reporting such townships in Alberta as your information warrants you making application to this department for inclusion under either section 3 or section 4 of the Prairie Farm Assistance Act, 1939.

The minister blames Alberta for not having sent the applications in so as to arrive at Regina on August 15, and yet this letter was not mailed from Regina until the fourteenth.

Mr. ROSS (Moose Jaw): When was the first letter?

Mr. QUELCH: The letter was on the fifth.

Mr. GARDINER: I would take it, from what the hon. member has just read, that that was a letter written by the department of agriculture of Alberta to our office in Regina.

Mr. QUELCH: On August 5.

Mr. GARDINER: That is not the correspondence I was speaking of in my letter.

Mr. QUELCH: It does not make any difference.

Mr. GARDINER: It makes all the difference in the world with regard to what the hon. member is talking about.

Mr. QUELCH: I will just show the minister how much difference it makes. This is what the minister said:

On August fifteenth we had no applications, if I remember correctly. It was afterwards found that this was due to . . .

And so on.

[Mr. Quelch.]

Mr. ROSS (Moose Jaw): The departments in your own province were not getting together.

Mr. QUELCH: Whether they were or not, I repeat that the information could not possibly have been received in Regina by the fifteenth.

Mr. GARDINER: If the hon. gentleman will permit me just for a moment, what he is stating is that I was blaming the government of Alberta, but what I stated was that our branch wrote to the department of municipal affairs. My hon. friend knows why they wrote there. That, too, has been explained to him in the correspondence. They wrote there because our branch had previously been dealing with the municipal branch on relief matters; the same two officials had been corresponding on that subject. Mr. Mackie thought he would communicate with the person with whom he had been corresponding before. That was not the proper person to get in touch with. Mr. Mackie thought he had fulfilled his part in writing to the department of municipal affairs. The letter, I understand, was not transferred from municipal affairs to agriculture; therefore agriculture did not know until they wrote on August 5 asking for information, and then it was realized by our office that the communication sent earlier had not reached its proper destination. The forms were then sent forward. I have not said that the Alberta government was responsible. I said that there was a misunderstanding, and because of that misunderstanding we did not hold Alberta to August 15 but permitted them to send in their applications right along and accepted them to March 31. There has been no hardship on the part of Alberta, however, although there has been some delay.

Mr. QUELCH: As regards the correspondence to which the minister refers, I got in contact with the department of municipal affairs of Alberta and they denied having received such correspondence from Ottawa. They say they received none.

Mr. GARDINER: I will get the hon. member the copy.

Mr. QUELCH: That, I believe, is why the hon. member for Macleod wanted to get the correspondence; but even if it were so, that does not alter the situation. The application was made on August 5, and if Regina had immediately mailed the forms back on August 7 it would have been possible to comply with the regulations. They were not

mailed until August 14 and that is why it was impossible to have them back by August 15.

May I refer to section 7, paragraph (e) of the regulations. In my opinion it absolutely destroys the principle of the act as found in section 3. It is provided that no award shall be made on the "following" farm lands owned or rented by the farmer who, as owner or tenant, also operates more than three hundred acres of cultivated land situated in townships not eligible for award under the act. The minister knows very well that this will cause a good deal of unjustifiable hardship. There may be a man with a section of land in a township with an average yield of four bushels to the acre on which the bonus will be paid, but he may have 300 acres of crop on light sandy land in another township where the greater part of the land is heavy and therefore the average yield is above twelve bushels. But although he may average only three or four bushels to the acre on all his land, he is debarred from the bonus on the ground that he has 300 acres in a township in which the average yield is more than twelve bushels to the acre. That is a situation which should be rectified.

There are one or two other matters to which I wish to refer regarding the delay that occurred in Alberta and certain complaints with respect to the method of inspection. I have here a copy of the statement I sent the minister. I have many more similar to this. This statement refers to township 35, range 17 west of fourth. The farmers in this township when they made application for the bonus in October last year were required to file affidavits, which showed an average yield of 11·3 bushels. By the first of July no bonus had been paid and no understanding reached. It seems strange that it was not possible to come to some decision after affidavits were signed in October last year. By the first of July we are still without any dceision as to whether the bonus will be paid, and there are many townships in which the matter is still pending. The department has not decided whether the bonus will be given, and the impression is being created in the constituency that the inspectors now being sent round are trying to find ways and means of evading the payment of the bonus.

Mr. GARDINER: I do not think my hon. friend wishes to misrepresent the matter. The inspectors who are going round now are dealing not with last year's crop but with this year's crop.

Mr. QUELCH: Perhaps I should have said, the the inspectors sent round on June 21. I said "now" because I had prepared these notes some time previously. I thought this question would be brought up earlier than it has been, and I suggest that it should have been brought up earlier. However, on June 21 the inspectors were going round and were creating a bad impression through their actions. I submit that the whole method of inspection has been bad. I have received complaints from many farmers that the inspectors have never even visited their farms. I do not doubt that the inspectors did visit these farms, but the fact is that they never got in touch with the farmer. They never went near the farmer and the farmer did not know that his land had been inspected. It would have been better for the inspectors to get in contact with the farmer and let him see exactly how the average yield was being arrived at. Had this been done, there would not have been the same hard feeling.

I have here a statement by a man from Oyen, which reads:

> In the first place, I have to say that the farmers in this township are very dissatisfied with the method employed by Mr. So-and-so, the government appointee, in figuring out the yield of wheat, and at least two-thirds of them are prepared to sign statutory declarations that their farms were never visited by Mr. So-and-so, and so his estimate of the yield must be purely guesswork.

Mr. GARDINER: How can these declarations be made if the inspectors did not visit the farmers themselves?

Mr. QUELCH: The farmers are prepared to make the declarations. I do not see how the inspectors can know if they did not visit the farmers, but at any rate they would not have created the impression they did if they had called on the farmers. Surely the inspector should have called on the farmer. When a farmer suffers loss from hail, under hail insurance, and the inspector comes to assess the damage, he gets in touch with the farmer first of all and the farmer takes him round. The inspector then explains the basis on which he makes his estimate, and in that way the farmer has some method of arriving at what the figure should be. But when the inspector goes to the farm, does not even get in contact with the farmer and afterwards declares that the estimated yield is so much, naturally there is going to be trouble if the figure arrived at is twelve bushels to the acre. And that is what occurred. The same man makes this statement:

> The inspector further told my brother his instructions were to take nobody's word for anything and to trust no one.

That is a tactless way of going about this business. Why should the inspector say, "I have come to estimate your crop but I am not going to take your word for anything"?

Mr. GARDINER: My hon. friend has been arguing that this is not on an individual basis and that it ought to be. May I point out that they are not estimating that particular man's crop; they are estimating the crop in the township.

Mr. DOUGLAS (Weyburn): But his average would go into the total in the township.

Mr. QUELCH: The average depends on the total of the crops of the individuals.

Mr. ROSS (Moose Jaw): Does my hon. friend know how the average was reached?

Mr. QUELCH: In the final analysis it was arrived at largely by the threshing return, because the farmers had to swear to affidavits.

Mr. GARDINER: The threshing returns were not taken except in a small fraction of cases. They were taken only in places where there was a protest and an appeal. There were 1,889 townships in which payment was made and there was not even a complaint except in a small fraction of the number.

Mr. QUELCH: Where there is no complaint there is no reason for investigation; but where there were complaints and affidavits were taken, the threshing return was used. No one will complain about a township in which there is satisfaction. If the bonus is paid, why should there be any complaint about the method?

Mr. GARDINER: On the other hand, if it was satisfactory in 1,800 townships and there were some complaints in the other eighty-nine, the system is not too bad.

Mr. QUELCH: Where there is a complete crop failure, where the crop is so poor that anyone can see that the average yield is less than twelve bushels to the acre, it is naturally easy to determine. But we want ways and means of finding out the average yield where it is doubtful. That is where there will be complaint. There will not be any complaint in a township where it is quite obvious that there is a crop failure, but there will be complaints where there are yields of eleven, twelve and thirteen bushels to the acre, and therefore the government have to determine what the crop yield is, and they should try to do this in such a way that the farmers will not have grounds for complaint. By sending inspectors round to make investigations without first letting the farmers know will always make trouble.

Mr. ROSS (Moose Jaw): You would never get the inspectors down.

Mr. JOHNSTON (Bow River): Let the member go round with the inspectors.

[Mr. Quelch.]

Mr. QUELCH: If the inspectors attempted to get in contact with the farmer it would help. They sometimes do not even bother to let him know; they even keep away.

Mr. ROSS (Moose Jaw): There would have to be four times the present number of inspectors.

Mr. QUELCH: I agree; the present system is all wrong. Get down to an individual basis, and have every farmer make an affidavit.

Mr. GARDINER: I would ask the hon. member how he is going to do that this year. The threshing returns, as he knows, are often made simply by dumping the wheat into a pile or bin; often there is not even a measure on the machine. This year we are going to have difficulty in getting wheat into elevators or anywhere where you can get a final return. Certainly it will be well into next summer, or even two years from now, before some would get their final return. I do not think they want to delay that long.

Mr. QUELCH: There are many ways to get over that. It is a simple thing to estimate the amount of wheat in a pile or bin.

Mr. GARDINER: I thought the hon. member was complaining that it was very difficult.

Mr. QUELCH: On the contrary I am complaining that this method has not been used. In most cases the basis apparently was going around and inspecting the fields without notifying the farmers. It could at least be helped by taking into consideration the actual amount of grain threshed. It is of course hard to estimate the acreage. The whole act is to some extent hard to administer therefore we have to try to get a basis which will be as fair as possible. As long as we are conducting it as we are at the present time we should at least require that the inspectors call on the farmer and give him a chance to see how his yield is being estimated. To go around in the tactless way they have been doing, telling farmers they are not going to take their word for anything, is not calculated to develop a spirit of trust.

Mr. ROSS (Moose Jaw): What is the use of having an inspector if he is going to take someone else's word?

Mr. QUELCH: Well, it is not necessary to go out of the way to antagonize the farmers by such tactless and foolish conduct. There is a great difference between inspectors; some can do their work without stirring up antagonism, while others feel it their duty to show that they are holding the big stick and that the farmer can go to hell.

An hon. MEMBER: Order. It is too warm.

Mr. QUELCH: In case the minister may say I made a charge without any evidence to substantiate it, I want to refer to the somewhat partisan way this matter was dealt with. Letters were sent out by officials of the Department of Agriculture to farmers. I have one here, and I ask the minister whether he thinks this is a wise letter to be sent out just before an election. It is dated February 15, and it reads:

Dear Sir,—

We will make a survey of above townships in the very near future.

Doctor Day of Consort has been so insistent that we have decided to take action.

Doctor Day was the Liberal candidate. Does the minister think that is a wise statement to make just before an election, that the only reason the inspection was being made was that the Liberal candidate was so insistent? A number of letters like this were sent out. If that is not playing politics in the dirtiest form possible I should like to know what is. Affidavits were sent out just before the election, and a regular whispering campaign started—"Sign these affidavits; if Doctor Day gets in you will get the bonus, and if he does not, you will not." Judging from the results, that threat has been carried out, because many townships have been turned down which I think were warranted in expecting to get the bonus.

Mr. GERSHAW: There were hundreds turned down in Medicine Hat too.

An hon. MEMBER: They should have been.

Mr. QUELCH: I am not charging that the hon. member for Medicine Hat played politics.

Mr. JAQUES: He is one of the few good Liberals.

Mr. GARDINER: Let us get on with the resolution.

Mr. QUELCH: Then stop the interruptions.

The CHAIRMAN: Order. The hon. gentleman's time is exhausted.

Mr. NEILL: I want to make a suggestion to the minister. I am not personally interested in this bill, but I understand it is brought in at the request and for the benefit of western farmers. There has been so much opposition here this afternoon by members presumably representing farmers in western Canada that I suggest the minister withdraw the bill and let the hon. gentlemen who have delayed its progress go home and explain their action to their constituents as best they can.

Mr. COLDWELL: That statement should not go unanswered by western members. The business of hon. members from the west is to endeavour to get the best possible legislation for the people they represent.

Mr. SLAGHT: At the expense of Ontario and the east.

Mr. COLDWELL: The hon. member for Parry Sound says, at the expense of Ontario.

The CHAIRMAN: Order. I do not believe that the discussion that is taking place is related to the matter under consideration.

Mr. COLDWELL: I rise to a point of order.

The CHAIRMAN: There is nothing before the committee except a ruling, which can be appealed to the house.

Mr. COLDWELL: I do not desire—

The CHAIRMAN: Does the hon. gentleman desire to speak to the resolution now before the committee?

Mr. COLDWELL: I will speak to the resolution. This particular legislation, as other hon. members have said, is inadequate to the needs of western Canada. It has been pointed out this afternoon that the whole basis upon which this crop failure plan has been based has not worked out to the benefit of many of those who should have benefited, and we suggest to the minister that there are ways of improving the bill. A start has been made to give the western farmer a crop insurance plan. He needs it, because in past years the results of his labour have often fallen into the coffers of gentlemen in eastern Canada. I would remind the hon. member for Parry Sound of that. We are grateful for what the act has done. To suggest that the bill should be withdrawn because we wish to improve it seems to me an insult to this committee and a reflection upon the intelligence of the hon. member who made it. We are anxious to improve this legislation, just as some hon. members are anxious to improve conditions for people who have fish traps on the Pacific coast. The minister would be well advised to consider improving the bill as suggested by various hon. gentlemen who have spoken this afternoon. Let me emphasize that we are glad that a step has been taken to bring in some form of crop failure benefits, but that we think the bill could be greatly improved in a number of particulars.

Mr. GARDINER: I am quite satisfied that the committee should help in every way possible to improve the bill to be founded on the resolution. But I would point out that the bill is not yet before the house, and much of the discussion which has taken

place in the last three-quarters of an hour might more properly have taken place on the bill, when we know what is in it. Many of the difficulties raised by the hon. member for Acadia (Mr. Quelch) we attempt to meet in the bill. The question may always be raised as to whether or not what we have done is adequate, but again that can be discussed intelligently only when the bill is before us. I suggest that all we have before us at the moment is the necessity of deciding whether we should do what we are attempting to do in the resolution. I think we are all agreed on that.

Resolution reported, read the second time and concurred in. Mr. Gardiner thereupon moved for leave to introduce Bill No. 113, to amend the Prairie Farm Assistance Act, 1939.

Motion agreed to and bill read the first time.

CANADIAN WHEAT BOARD ACT

AMENDMENTS ARISING OUT OF LOSS OF OVERSEAS MARKET, EXISTING STOCKS AND HANDLING OF 1940 CROP—INITIAL PAYMENT OF 70 CENTS

Hon. J. A. MacKINNON (Minister of Trade and Commerce) moved that the house go into committee to consider the following resolution:

That it is expedient to bring in a measure to amend the Canadian Wheat Board Act to provide for exigencies arising from loss of overseas markets for wheat, from the large existing stocks of wheat in Canada, and from the problem of handling the 1940 wheat crop.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Mr. COLDWELL: Did the minister ask leave of the house?

Mr. MacKINNON (Edmonton West): I was about to ask leave.

Mr. COLDWELL: Mr. Speaker was just about to leave the chair; that should not be overlooked. Leave has been given on a good many occasions this session, and I think at least the formality should be observed.

Mr. MacKINNON (Edmonton West): This seeming disregard of formality arises through an incomplete understanding of procedure. However I did speak to the leader of the official opposition (Mr. Hanson), to the hon. member who has just spoken and to the leader of the Social Credit group in the house suggesting that I be allowed to make a statement to-day on the resolution. It was my understanding that they were agreeable to my doing so, and I must thank them for permission.

Mr. DUPUIS: You are a formalist.

Motion agreed to and the house went into committee, Mr. Vien in the chair.

Mr. MacKINNON (Edmonton West): Mr. Chairman, I understand the bill is being printed and will be distributed to-morrow morning.

On several occasions during the present session members of the house have asked questions relating to the government's wheat policy. The matter which has apparently given greatest concern is in respect to the handling of the 1940 crop in light of a prospective lack of storage space. The matter has engaged the constant attention of the government and its advisers, the Canadian wheat board and the board of grain commissioners. The situation has been sufficiently clarified that I can now indicate some of the lines of action we propose to undertake to meet the situation we shall probably face in the next few months.

Briefly the situation will be this. As at the end of July there will be a total carry-over of between 290,000,000 and 295,000,000 bushels, of which 270,000,000 bushels are actually in Canada. The 1940 crop in the western provinces is currently estimated at from 350,000,000 to 400,000,000 bushels. Our present elevator storage capacity is 424,000,000 bushels, which gives a net capacity of 382,000,000 bushels after deducting a ten per cent allowance for working space. Temporary elevator annexes already available and to be built this year will provide additional storage space for probably 30,000,000 bushels. Approximately 20,000,000 bushels can, in addition, be stored in United States terminal lake elevators. This brings the total storage space, at the commencement of the new crop year, to approximately 432,000,000 bushels. With wheat and coarse grains, actually in elevators in Canada at July 31, amounting to about 275,000,000 bushels, the net available storage capacity will be 150,000,000 to 160,000,000 bushels.

During the autumn months considerable additional storage space will become available as wheat is exported or consumed, and finally, wheat can be stored in the holds of lake vessels for winter storage afloat. Despite these provisions, however, it remains apparent that a larger amount of wheat than usual will need to be held on farms beyond the customary early period of heavy marketings.

In dealing with this situation the government recommends that a plan be followed which is designed to permit the equitable use of

available storage space by all the producers. The plan to be followed will require an amendment to the Canadian Wheat Board Act. This plan will enable every producer to deliver a portion of his crop at the outset. The amount to be delivered will be based on the total available supplies of wheat and the available storage space. As the season progresses, this quota will be advanced as exports and other outlets ease the storage situation. In brief, the plan is to use all storage space, country and terminal, east and west to the best advantage of all producers.

For that portion of the crop which cannot be accepted during the fall months the government recommends that an allowance be made to the producer to compensate him for the storing of wheat on his own farm. This allowance will vary in accordance with the length of time the grain is held, and will be in addition to the board's initial payment for wheat. The basis of the allowance will be announced very shortly—as soon as possible.

Regarding the initial payment to the producer basis No. 1 northern in store Fort William, Port Arthur and Vancouver, this price will remain at 70 cents as fixed by statute in the Canadian Wheat Board Act as amended last year.

On June 1 last, Mr. Chairman, I informed hon. members of the house that pending further developments the Winnipeg wheat futures market would remain open at least to the end of the crop year. At the present time the government has decided not to request closure of this market. This decision was made after consultation with the cereals import committee of the United Kingdom Ministry of Food who strongly recommend that the market be left open. The present cash wheat and futures pegged prices will be continued at or about the present levels.

Because of our recommendation that the grain futures market be left open at pegged levels, we also recommend the repeal of that portion of section 7(b) of the Canadian Wheat Board Act, which limits deliveries from any one producer to 5,000 bushels, as well as repeal of section 7(2), which deals with the penalties for the violation of the 5,000 bushel limitation. The removal of this limitation will enable every producer to deliver all of his wheat crop to the Canadian wheat board if he so desires.

The personnel of an advisory committee to assist the Canadian wheat board will be announced shortly. Provision is also being made to authorize an interim payment on producers' participation certificates, at a time when such payment cannot possibly result in a loss to the board.

The government also recommends that a processing levy be made against all wheat utilized for the manufacture of wheat flour and other wheat products entering domestic human consumption. The levy will be effective as of midnight July 23, 1940, and will be at the rate of 15 cents a bushel on the wheat utilized in the manufacture of wheat products. The levy will be collected against delivery of the wheat product by the processor to the purchaser thereof. A clause in the amendment to the wheat board act will authorize the collection of the levy on all existing contracts for future delivery of flour and other wheat products. Millers offering flour through merchants on consignment will pay the levy on flour not actually delivered to the purchaser by July 23, 1940. The detailed provisions will enable the levy to be applied equitably as far as all purchasers of flour and other wheat products are concerned, and will avoid any hurried buying on the part of the latter by way of anticipating the levy. The levy will not apply to deliveries of flour and other wheat products for export.

The proceeds of the levy will be payable to the Canadian wheat board by the processors on a certain day of each month, at which time appropriate statements on the deliveries made by the processors during the preceding month will be filed. The Canadian wheat board will use the proceeds of the levy as part of its regular revenue from the sale of the crop. The equity of this levy on domestically consumed wheat will be apparent to all parties concerned. Because of existing circumstances, under which our wheat brings a low price on the export market, we do not feel that the same circumstances should govern the price paid for wheat by millers supplying our domestic flour requirements. Based on the experience of past relationships between the price of wheat and the retail prices of bread throughout Canada, the rate of levy we are recommending should not require any change in the retail price of break. Hon. members will recall that from January to May of this year Fort William wheat prices were around 90 cents per bushel; since May they have been in the neighbourhood of 70 cents. The effect of the processing levy will be partly to restore this Fort William price so far as the domestic human consumption of wheat is concerned. Some other necessary amendments to bring the act into line with present conditions will also be introduced.

May I add, Mr. Chairman, that the events of the last several months in Europe have had a serious effect on the market outlook for Canadian wheat. One by one the countries which were formerly outlets for our exports of wheat have been invaded and have disappeared temporarily as customers for our wheat. Denmark and Norway, ordinarily

excellent markets for our wheat, were the first to go. These were followed by the low countries, Belgium and Holland, both substantial buyers under ordinary conditions. The entry of Italy into the war, the capitulation of France and the consequent inaccessibility of Switzerland have also removed present and prospective markets. The result has been that the only export markets now available are those of the United Kingdom and Eire; a limited market, chiefly for flour, in the islands of the West Indies and Newfoundland, and a very limited market in the orient and in South America. These factors are primarily responsible for the storage problem in this country. The value of Canada's wheat in the war effort can be known only in the light of future events. But it can be definitely said now that it is essential in the prosecution of this war that ample food supplies, particularly wheat, be available to Britain from the closest possible point, which is Canada. Therefore the government appeals to all the producers and other interests in this country to cooperate to the full extent of their ability in the plans being undertaken to meet this difficult situation. This cooperation can take practical form on the part of producers, who should start now to make the best provision within their means to provide for adequate grain bins or other storage facilities on their own farms.

Mr. HANSON (York-Sunbury): I understood the resolution was to stand.

Mr. MacKINNON (Edmonton West): If the hon. member wishes.

Mr. HANSON (York-Sunbury): This is a very important statement and I think we should have an opportunity of studying it. I understood from the minister that he would introduce the resolution, make a statement and then allow it to stand so that hon. members might study it before it was advanced any further.

Mr. MacKINNON (Edmonton West): I thought that I might be allowed to introduce the bill and let it stand.

Mr. HANSON (York-Sunbury): This is a very difficult problem for me. I have endeavoured to give it such study as I was capable of giving it during the week. I understood the arrangement was that after the statement was made the debate would end so that hon. members would have an opportunity to review the resolution in the light of the statement.

Mr. MacKINNON (Edmonton West): That is quite satisfactory.

Mr. HANSON (York-Sunbury): There should be no objection to holding it over until to-morrow. The minister states that the rate of levy being recommended should not require any change in the retail price of bread. What will be the increase in the cost of a barrel of flour of 196 pounds?

Mr. MacKINNON (Edmonton West): It will be considerably less than $1 a barrel, but I would prefer to have the officers of my department available before giving a definite answer.

Mr. DONNELLY: Sixty cents is all that it should be.

Mr. HANSON (York-Sunbury): It will be between 60 cents and $1; we can leave it that way?

Mr. MacKINNON (Edmonton West): Yes.

Progress reported.

TRADE AGREEMENT

CANADA-DOMINICAN REPUBLIC—APPROVAL BY PARLIAMENT

Hon. J. A. MacKINNON (Minister of Trade and Commerce) moved:

That it is expedient that the houses of parliament do approve of the trade agreement between Canada and the Dominican republic, signed on March 8th, 1940, and that this house do approve of the same.

He said: Mr. Speaker, the purpose of this resolution is to accord the approval of the houses of parliament of the trade agreement concluded with the government of the Dominican republic. Copies of the agreement have already been tabled for the information of members of the house. This trade agreement was signed at Ciudad Trujillo on March 8, 1940. Mr. A. S. Paterson, the British minister, signing on behalf of the government of Canada. Mr. C. S. Bissett, the Canadian trade commissioner at Havana, was associated with Mr. Paterson in the negotiations which led up to the conclusion of this trade agreement, having acted in the capacity of adviser.

The trade agreement is of the general most-favoured-nation type, and the different articles correspond closely to the articles in the trade agreement which was concluded between Canada and Guatemala on September 28, 1937, and approved by parliament on May 25, 1938. The agreement has been concluded for a period of three years, but remains in force thereafter until after either party has given six months' notice of its desire to terminate the agreement. It was agreed that, pending ratification of the trade agreement, is provisions should be applied provisionally on the basis of reciprocity. Accordingly, an order in council, P.C. 1029, was passed on March 14, 1940, providing that under authority of sections 4

and 11 of the customs tariff, products of the Dominican republic shall be entitled to most-favoured-nation treatment on importation into Canada, as from March 15, 1940. Prior to the conclusion of the agreement the products of the Dominican republic had been subject to the rates of duty provided for under the general tariff of Canada on importation into the dominion.

This is the only change which the agreement provides in respect of the rates of duty applicable to the products of the Dominican republic imported into Canada. As regards the tariff treatment to be accorded Canadian products imported into the Dominican republic, the trade agreement provides that these products shall enjoy most-favoured-nation tariff treatment and also that fish, pickled in brine, dry salt hake, pollock and cusk, herrings and other smoked fish, and seed potatoes, the growth, produce or manufacture of Canada, shall be exempt, as from the date of signature of the agreement, from the internal revenue taxes which have been imposed on these products in accordance with the provisions of a law of the Dominican republic passed on March 13, 1935. It is also provided that henceforth seed potatoes shall be classified for tariff purposes as vegetable garden seeds and in this manner may be imported into the Dominican republic free of customs duty as well as being exempt from the internal revenue tax. Finally, the agreement provides for the continued exemption from internal revenue tax of Canadian wheat in grain, which has been free of both customs duty and internal revenue tax on importation into the Dominican republic.

Anticipating questions, Mr. Speaker, on this announcement, I have had prepared a statement, with a table, which I should like to be permitted to place on *Hansard*. It is as follows:

It may be of interest to the house if I were to give a short review of the history of our trade relations with the Dominican republic and the circumstances which led up to the conclusion of this agreement.

Until the enactment of the law of March 13, 1935, imposing internal revenue taxes on certain Canadian products, there had been no serious obstacle to the development of trade between the two countries, although at no time had any trade agreement been in force regulating trade relations between Canada and the Dominican republic. That country provided an important outlet for certain kinds of fish products, such as dry salted cod, haddock, hake and pollock and smoked herrings. The Dominican republic provided one of the few export outlets for dry salted hake and pollock produced in the bay of Fundy districts of the maritime provinces. The law of March 13, 1935, imposed an internal revenue tax of $15 per 100 kilogrammes, or 220 pounds, on dry salted fish and correspondingly high rates of tax on other Canadian fish products and potatoes. On November 19, 1935, the internal revenue tax on dry salted fish was reduced from $15 to $5 per 100 kilogrammes, but still proved to be an obstacle to the sale of Canadian fish products to the Dominican republic. A further step injurious to our trade in fish products with that country was taken on September 4, 1936, when a trade agreement was concluded between France and the Dominican republic, exempting dry salted fish and fish in brine from the internal revenue taxes. This exemption from the taxes was extended to fish imported from the United States under the provisions of the most-favoured-nation agreement between that country and the Dominican republic, but fish imported from Canada and other countries having no trade agreements with the Dominican republic remained subject to the tax. This discrimination in duty in favour of fish imported from France, French possessions and the United States had an unfavourable effect on our exports, but was particularly serious for the producers and exporters of dry salted hake and pollock on account of the lack of alternative markets for these products.

I should like to place on *Hansard* a table showing our total imports from and exports to the Dominican republic during each of the ten years 1930-1939 inclusive.

Statement showing the total imports from and exports to the Dominican Republic during the calendar years 1930 to 1939

Calendar years	Imports	Canadian exports	Foreign exports
1930.....	$ 369,139	$233,464	$133
1931.....	525,188	258,679	...
1932.....	147,690	202,600	...
1933.....	87,398	190,209	...
1934.....	1,414,797	230,762	...
1935.....	1,876	145,153	...
1936.....	....	166,205	3,563
1937.....	32	137,138	105
1938.....	341	296,232*	120
1939.....	16,011	111,616	184

* Includes silver coin valued at $179,295 produced at the royal mint at Ottawa for the Dominican government.

This table indicates the decline in our exports to the Dominican republic following the imposition of the internal revenue taxes and the conclusion of the trade agreement between the Dominican republic and France. It also shows that in the year 1934 our total imports from the Dominican republic amounted to $1,414,797, due to heavy purchases of Dominican raw sugar by the Cana-

dian refiners. In the following years there were no purchases of raw sugar from the Dominican republic and our imports from that country were negligible. We made efforts to enter into negotiation with the government of the Dominican republic in order to bring about more satisfactory trade relations with that country, but owing to the falling off of our purchases of Dominican products it was not possible to find a basis upon which a trade agreement could be negotiated.

Shortly after the outbreak of the war arrangements were made with the government of the United Kingdom, whereby supplies of raw sugar for Canadian requirements would be purchased through the United Kingdom sugar control. When the United Kingdom sugar controller arranged for the purchase from the Dominican republic of a certain quantity of sugar for Canadian requirements, advantage was taken of the opportunity thereby created to enter into negotiations for the conclusion of a trade agreement, which would bring about a more satisfactory arrangement for the regulation of trade between Canada and the Dominican republic and particularly to remove the possibility of tariff discrimination against Canadian fish products.

Under the provisions of article 2 of the trade agreement dry salted hake, pollock and cusk are now exempt from the internal revenue tax of $5 per 100 kilogrammes and are subject only to the ordinary customs duty of $2.25 per 100 kilogrammes. The trade agreement did not provide for the exemption of dry salted cod and haddock from the internal revenue taxes of the Dominican republic, but on March 16, a trade agreement was concluded between Newfoundland and the Dominican republic exempting codfish from the internal revenue tax, which exemption also applied to Canadian codfish under the most-favoured-nation provision of our agreement, and in giving effect to this exemption the government of the Dominican republic also removed the internal revenue tax from dry salted haddock, so that all kinds of dry salted fish are now exempt from internal revenue tax on importation into the Dominican republic from Canada. Under the most-favoured-nation agreements this exemption applies to dry salted fish imported from Newfoundland and from the United States, but no longer applies to dry salted fish imported from France or French possessions, because the operation of the trade agreement between France and the Dominican republic was suspended on December 15, 1939.

The trade agreement also provides for the exemption of herrings and other smoked fish from the Dominican internal revenue tax of $5 per 100 kilogrammes and these products are now subject only to the ordinary customs duty of $2.25 per 100 kilogrammes. This exemption applies to these products when imported from the United States and Newfoundland, but does not apply to these types of fish imported from Norway, which hitherto has been the chief competitor of Canada in the market of the Dominican republic.

Another fish product exempted from the Dominican internal revenue tax is fish, pickled in brine, on which there had been an internal revenue tax of $4 per 100 kilogrammes. This product is now subject only to the ordinary customs duty of $2 per 100 kilogrammes.

Potatoes are grown in fairly large quantities in the Dominican republic, particularly since the imposition of the internal revenue tax of $5 per 100 kilogrammes on March 13, 1935, which tax also applied to seed potatoes. The industry is based largely on the use of imported seed, supplied mostly from Canada. On account of the high cost of imported seed, to which the high duties contributed, the growers in the Dominican republic have been using their own product increasingly for seed in the second year. In other words, they have been importing seed only for every second crop instead of for every crop.

The importation of table potatoes is small and spasmodic, taking place only when internal transportation difficulties cause sudden shortages in the principal cities. Because of the advantages which they have enjoyed in respect of good shipping services and fast deliveries, the United States exporters have secured most of what little business has been possible in imported table potatoes in recent years.

Under the provisions of the trade agreement seed potatoes are now exempt from both the internal revenue tax of $5 per 100 kilogrammes and the ordinary customs duty of $1 per 100 kilogrammes, hitherto applicable to this product. While seed potatoes imported from the United States will receive the same treatment, it is expected that Canadian seed potatoes—on account of their superior quality—will be the chief beneficiary from this concession, which should result in a considerable increase in Dominican imports of seed potatoes, firstly by checking the use of local first-growth potatoes for seed and, secondly, by lowering the cost of production of potatoes, and thereby stimulating a wider sale.

In the negotiations for the trade agreement the government of the Dominican republic adhered to the principle of granting specific concessions only on products of which Canada is predominantly the chief source of supply

of imports into that country, so that it was not possible to secure concessions on other Canadian products, but generally speaking the agreement assures all Canadian products against tariff discrimination on importation into the Dominican republic and provides for specific concessions on those products for which that country has been a relatively important outlet for the sale of the products of certain groups of Canadian producers and exporters. In return, our commitments under the agreement are to extend to the products of the Dominican republic treatment not less favourable than that extended to similar products imported from any other foreign country. It is confidently expected that the agreement will bring about an expansion of Canadian trade and through safeguarding Canadian products against tariff discrimination will avert the recurrence of what for a number of years has been a source of irritation among an important group of exporters in the maritime provinces.

Hon. R. B. HANSON (Leader of the Opposition): It is obvious that while the treaty is not of very great importance it should be examined with care in the light of the statement which the minister has made and the figures which he has placed on *Hansard*. I have made a hasty, but certainly not an exhaustive examination of the agreement since it was tabled yesterday and I suggest to the minister that we should be given a little further time to examine it.

Mr. MacKINNON (Edmonton West): Members of the house will have opportunity to discuss the trade agreement very fully, I anticipate, on the estimates of the Department of Trade and Commerce.

Mr. HANSON (York-Sunbury): But the agreement will have been approved by that time. Could not the motion stand until to-morrow?

Mr. MacKINNON (Edmonton West): Certainly.

Mr. HANSON (York-Sunbury): Then I move the adjournment of the debate.

Motion agreed to and debate adjourned.

TARIFF BOARD

AMENDMENT OF ACT WITH RESPECT TO SALARY OF CHAIRMAN AND SUPERANNUATION PROVISION

Hon. J. L. ILSLEY (Minister of Finance) moved that the house go into committee to consider the following resolution:

That it is expedient to introduce a measure to amend the Tariff Board Act reducing the salary of the chairman of the board, and making superannuation provision for any civil servant who may be appointed to be a member of the board.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of the resolution, recommends it to the consideration of the house.

Hon. R. B. HANSON (Leader of the Opposition): I am not objecting at all to this procedure, Mr. Speaker, because we all want to see the order paper cleared, but it is entirely at variance with the programme for to-day's business which the minister (Mr. Crerar) gave us last night. Not one single item of business as I recall it, has been taken up that was suggested last night. I am not objecting; I am simply calling attention to it.

Mr. CRERAR: We shall take up the business that was indicated last night when we reach the orders of the day, but we have not reached them yet. It is the accepted practice to take these government motions without including them in the business announced.

Mr. ILSLEY: Mr. Speaker, I am assuming that the house is giving consent to our going into committee on this resolution now instead of to-morrow. We cannot do it, of course, if there is any objection.

Mr. HANSON (York-Sunbury): No more than this: The minister has recognized the rule, but his colleague is not always quite so careful.

Motion agreed to and the house went into committee, Mr. Vien in the chair.

Mr. ILSLEY: Mr. Chairman, I should give the committee a short explanation. As hon. members know, after the former chairman of the tariff board, Mr. Justice Sedgewick, died, there was a vacancy for some time, and finally Mr. Hector McKinnon, who was commissioner of tariffs, was appointed chairman of the board. The order in council under which he was appointed reduced the salary provided by statute from $15,000 to $12,000, and Mr. McKinnon has been and is being paid at that rate. There is no statutory authority for the reduction of the chairman's salary, and the government now seeks statutory authority for doing what it purported to do by order in council at the time of Mr. McKinnon's appointment. Mr. McKinnon agreed to accept the position at the salary of $12,000.

The second part of the bill makes provision for superannuation of civil servants who are appointed members of the board and would cover the case of Mr. McKinnon. The substance of that provision is that a civil servant appointed to the tariff board may elect to

take the pension provisions provided by the Tariff Board Act or the pension provisions of the Civil Service Superannuation Act.

Mr. HANSON (York-Sunbury): Whichever be the greater.

Mr. ILSLEY: Whichever he may elect. But there is a provision in the bill that if he elects to take the provisions of the Civil Service Superannuation Act his salary for superannuation purposes is to be regarded as the salary which he received prior to his appointment to the tariff board and not the salary that he receives as a member of the tariff board.

Mr. HANSON (York-Sunbury): If Mr. McKinnon elects to take the provisions of the Civil Service Superannuation Act, his superannuation will be based on his salary as commissioner of tariffs?

Mr. ILSLEY: Yes, it will be based on his old salary.

Mr. HANSON (York-Sunbury): What was that?

Mr. ILSLEY: It was $8,000. This is in some respects a less generous provision than has been made in connection with the appointment of civil servants to other boards, but there is this reason for doing it in this instance. In the other cases that I have examined of civil servants having been appointed to boards and provision having been made for continuation of their pension privileges under the Civil Service Superannuation Act, no pension privilege attached to the board to which they were appointed.

Mr. HANSON (York-Sunbury): I have no objection to the resolution or to the principles enunciated by the minister, nor have I any objection to the appointment of Mr. Hector McKinnon as chairman of the tariff board if the precedent of having as chairman a gentleman with judicial training, shall I say, is to be departed from. I remember very well that at the time of Mr. Justice Sedgewick's appointment it was considered that experience in the actual trial of cases, the assimilation of facts, and such things as qualify a man to become a good judge of facts, should be a requisite qualification for the position. The government of the day, having decided upon that qualification, took considerable pains to induce Mr. Justice Sedgewick of the high court of Ontario to accept the position, on the theory I have attempted to enunciate; and I had hoped that, in filling the vacancy caused by his death, the government would follow the precedent thus set. However, in the selection of Mr. McKinnon, having regard to his long connection with tariff questions, probably the government went into the next best field. In fact he was more or less, shall I say, in a field by himself, there being no other competitors if the appointee was to be drawn from that area. It is, at least in my estimation, a very important position. It calls for exceptional qualifications. The appointment of Mr. Justice Sedgewick was an excellent one. Perhaps I was prejudiced in his favour; he was an old college friend of mine, and I had watched his career over a period of years.

Mr. FACTOR: From the maritimes.

Mr. HANSON (York-Sunbury): Yes, he was a maritimer, and in my estimation that did not hurt him a bit. I should like to make this observation, and the interjection of the hon. member for Spadina gives me the opportunity to do so—

Mr. FACTOR: He came from Toronto.

Mr. HANSON (York-Sunbury): Having regard to our numbers, we have contributed, not only to the public life of Canada—which is apparent when you look at the treasury benches—but to every human activity in Canada, the very best of our men. I am afraid we have exported too many of them to central Canada, and in days gone by, far too many to the United States. Somebody said to me not so long ago that only dullheads in the maritimes stayed at home. I should not like to give acquiescence to that point of view. We are proud of the contributions which we have made not only to the public life of Canada, but to the professional life, the educational life, the financial and banking life, and, in the case of a few—not many—to the judicial life of the country. In my view the appointment of Mr. Justice Sedgewick was a splendid one.

I have known Mr. McKinnon for a long time. He was in the press gallery when I first came here. If the precedent of the former government is to be departed from, I certainly can commend the appointment of Mr. McKinnon to this board.

May I inquire as to the present status of the board? As originally set up it consisted of Mr. Justice Sedgewick; a gentleman who formerly graced this chamber—another maritimer, may I say, but who came down to us from the west, Mr. Milton Campbell; and a very fine young Canadian of French-Canadian origin, Mr. Charles Hébert. I noticed in the press that Mr. Hébert had enlisted. Is he still a member of the board, or just what is the position in that regard?

Mr. ILSLEY: He is a member of the board, on leave.

Mr. HANSON (York-Sunbury): So that when he returns from his military duties he will reassume his position?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): His place is being kept open. I thank the government for that. I think that is creditable to the administration. I have no objection to the resolution.

Mr. McCANN: What will be the superannuation allowance of the chairman of the tariff board, based upon the salary he was getting prior to accepting the present position?

Mr. HANSON (York-Sunbury): The final term of service.

Mr. ILSLEY: It depends on when he retires.

Mr. McCANN: Yes; at the retiring age of sixty-five.

Mr. CRERAR: It would be a simple calculation.

Mr. ILSLEY: I cannot give the information at the moment.

Mr. McCANN: I wondered if the government had taken into consideration the recommendation made a year ago by the committee of this house on superannuation. It was to the effect that the maximum superannuation of any civil servant should not be in excess of $4,000 a year.

Mr. ILSLEY: Yes.

Mr. McCANN: That is the recommendation which is apropos of the question under discussion, and it is one which in my judgment should be given consideration by this house. I am very sorry that the recommendations of that committee appear to have been pigeonholed except to the extent of picking out one or two to be put into effect by statute. I would particularly recommend to the ministry the recommendation, made by a committee representative of all sections of this house, with reference to this particular matter and analogous cases, that no civil servant be given a superannuation allowance in excess of $4,000 per year. If the gentleman who is chairman of the tariff board retires at sixty-five, his expectation of life may be, biblically speaking, seventy; actuarially it may be eighty-five, depending upon his physical condition and the ease with which he lives the rest of his life. So that for twenty years this country would be paying an enormous bonus, a sum out of all proportion to the superannuation allowance which is paid to people in the lower salaried groups who have not during their period of service received salaries commensurate with the services they have rendered. I believe that this point should receive some consideration.

Mr. HANSON (York-Sunbury): May I ask whether the report of that committee last year was unanimous?

Mr. McCANN: Yes.

Mr. HANSON (York-Sunbury): If that is so, why has the government ignored the report of that committee? There must be a reason, and I think that we should be told what it is, now that the hon. member for Renfrew South has raised what is an important principle. I observe in the estimates that there is notice of the definite intention of the government to violate that principle with reference to another high official who has retired: not only are they going to pay him the superannuation based on the customary calculation, but they are going to give him a bonus over and above that. I warn the government now that they will have to do some tall explaining, at least to me, before that item goes through. It is, as far as I can see, as glaring a piece of discrimination as I have encountered during fifteen years in parliament.

Mr. ILSLEY: I did have in mind that particular recommendation of the civil service superannuation committee, and I believe that the case of Mr. McKinnon comes within it. However, I shall have the figures to-morrow.

With regard to the general question of the carrying out of the report of the civil service superannuation committee, the leader of the opposition was not a member of the house at the time, and I may tell him that that report contained, if I remember correctly, twenty-eight recommendations.

Mr. NEILL: Twenty-seven.

Mr. ILSLEY: Twenty-seven or twenty-eight, and the cost to the treasury of carrying out those recommendations would be substantial from the point of view of the government.

Mr. HANSON (York-Sunbury): Not this one.

Mr. ILSLEY: But most of them. The hon. gentleman asks why we did not carry out the report. It was a unanimous report, accepted by the whole house. The government must assume responsibility for choosing the time and deciding whether they are to come before this house and recommend heavy additional drains on the treasury for the purpose of carrying out reports of committees. The time

may come when all the recommendations of that committee can be carried out, but certainly they cannot be carried out without costing millions a year. The capitalized cost was calculated roughly for me at the time, and my recollection is that it would require about $16,000,000 to carry out the report of the committee of last year. We are in a war now and we have been pressed by representatives of civil service organizations to carry out this, that and the other recommendation of the committee, but we have decided that the time is not opportune to do it this session. The time may not be opportune next session; I do not know about that. The question, however, is not as simple as one would think, listening to the leader of the opposition. It is a matter involving a substantial expenditure in favour of certain classes in the civil service.

Mr. HANSON (York-Sunbury): At the moment I did not visualize the effect of all the recommendations of the committee, but I recalled after the minister had mentioned it, that very fact to which he has referred, and of course it is proper to remind me of the position. But this is in an entirely different category. It is perhaps the only provision in the report designed to protect the treasury against making overpayments of pension. This is something the government might well consider, unless it is fearful of repercussions with respect to those recommendations which would be a charge on the treasury. On the whole, I am glad that the hon. member for Renfrew South brought up the question, because it will serve to direct attention to it. The minister will be able to give us some information with regard to Mr. McKinnon's position, and then we shall know exactly what the situation is. But if it should happen that his pension is beyond $4,000 a year, then we ought to give consideration to that part of the report in this respect which was unanimously concurred in by the house, if it was concurred in.

Mr. ILSLEY: It was concurred in.

Mr. NEILL: When it went through the house, some one on behalf of the government introduced a restriction, saying that it would be accepted subject to his judgment.

Mr. ILSLEY: I did that myself.

Mr. McCANN: I understand that this is not the time for a discussion of the superannuation committee's recommendation. My only object in bringing the matter to the attention of the minister was to point out that this is one particular case in which, if the recommendation had been implemented, money would have been saved. Another recommendation which would result in a saving of public money is the one with reference to an increase in rates. If these two recommendations were implemented, I should be convinced that that report was received in the spirit in which it was given.

With reference to the remarks of the leader of the opposition, I believe that was one thing which was instrumental in influencing the committee to come to the conclusion which it reached with reference to the auditor general. His superannuation is in the neighbourhood of $4,800 a year and it is proposed to give him a bonus of $1,500 a year. When one considers the inequalities, that is the part which hurts.

The CHAIRMAN: I am afraid this is out of order. There is a specific item in the estimates covering that question and it is out of order to discuss it on this resolution.

Mr. McCANN: I am not discussing an item of the estimates at all, but reference is made in a part of this bill to the superannuation of one particular individual, and if one is to discuss intelligently this part of the bill, surely one can do it by a comparison with other cases.

Mr. ILSLEY: The government proposes to leave that particular item to the untrammelled discretion of the house, every member being free to vote as he likes upon the question. The auditor general is an officer of parliament and not of the government. His contention is that he has been legislated out of his position, having taken a position with the same tenure as that of a supreme court judge, and is entitled to the same treatment accorded supreme court judges by statute a few years ago. That is the basis for the item. The government simply proposes to place that item before the house, leaving it to every individual member to vote just as he or she desires. It is not put forward as a government measure, and the house will be given an opportunity to give effect to the auditor general's contention if it desires to do so.

Mr. HARRIS (Danforth): I should like the minister to tell the committee that he does not expect other changes in the personnel of the tariff board as at present constituted. While on this question, I might make an observation with regard to Mr. McKinnon. Mr. Hector McKinnon is one of the bright minds of the civil service and he has done a great service to Canada. In the budgets of the last decade he has given the government of Canada more assistance perhaps than any other civil servant in correlating the different features of the annual financial statement. In that regard he has been to the Department of Finance what the research economist at

present is to the tariff board. With regard to the present research economist, I compliment the government upon having such an able person to look after the details of the references which are made to the tariff board and to gather information in such an orderly manner. The research economist is one of the brightest persons in that branch of the administration, and I hope she will be left there to do a good job on behalf of Canada. I hope Mr. McKinnon will feel that the recommendations which come from his board will not only be given consideration by the government but be put into effect by statute or otherwise.

Canada was fortunate in having the late Judge Sedgewick analyse references, many of them of great magnitude, and legislation was brought before the house implementing the findings in a number of instances. There is one about which the minister knows a great deal, which is at present before the board. Mr. McKinnon knows a good deal about that, and I hope it is left there until such time as it, too, comes before this house in the form of legislation carrying out the recommendations. I refer to application No. 99. I pay tribute to the members of the tariff board, who went across Canada from Halifax to Vancouver and analysed that particular application to the smallest details, even visiting practically all the plants in the dominion and examining the processing that had to do with that particular reference. The matter was thoroughly studied, and in my judgment the board's findings were sound and, I hope, will be reaffirmed and endorsed by the present board. I trust that, Mr. McKinnon being placed at the head of the board, the findings of the old board will not be thrown aside, that it will not be a case of starting applications all over again, but that the present applications and findings will still be considered as the findings of the board.

Will the minister answer my first question, whether there will be any change in the personnel of the board, other than the appointment of Mr. McKinnon?

Mr. ILSLEY: It is not contemplated. That is all I can say.

Mr. HANSON (York-Sunbury): The hon. member is speaking of the membership of the board?

Mr. HARRIS (Danforth): And the personnel. The economist, the secretary and so on.

Mr. ILSLEY: No consideration whatever has been given to that.

Mr. CASTLEDEN: What is the date of the order in council altering this salary?

Mr. ILSLEY: I speak subject to correction, but I am sure it was March 25, 1940.

Resolution reported, read the second time and concurred in. Mr. Ilsley thereupon moved for leave to introduce Bill No. 114, to amend the Tariff Board Act.

Motion agreed to and bill read the first time.

PENITENTIARY ACT

REMOVAL OF CONVICTS FROM YUKON AND NORTHWEST TERRITORIES TO GAOLS OR PENITENTIARIES IN THE PROVINCES

Hon. T. A. CRERAR (for the Minister of Justice) moved the third reading of Bill No. 30, to amend the Penitentiary Act and the Penitentiary Act, 1939.

Motion agreed to and bill read the third time and passed.

EXCESS PROFITS TAX ACT, 1940

The house resumed from Tuesday, July 23, consideration in committee of Bill No. 104, the Excess Profits Tax Act, 1940—Mr. Ilsley—Mr. Vien in the chair.

On section 16—Coming into force.

Mr. ILSLEY: I am afraid that what I have to say will not be pleasing to the hon. leader of the opposition (Mr. Hanson). But I want to assure him that this question was thoroughly considered and at some length by council. The proposal deserved thorough consideration.

Mr. HANSON (York-Sunbury): And was reasonable.

Mr. ILSLEY: And was a reasonable proposal. Nevertheless the arguments against doing what the hon. gentleman suggested seemed stronger to council and to me than the arguments in favour. I went to the length of having the officers of the department prepare an amendment, which is somewhat longer than was suggested by the leader of the opposition last night, because it had to provide for the splitting of fiscal periods in the last year during which the tax would be in effect if we put a termination date. The trouble with fixing a term, for example three years as was done in the last war, is that it may be too long and it may be too short. If too long, it is better from the point of view of business not to have it at all, because the tax would be morally certain to remain during the full period, and it may be possible to lift this tax before the expiration of three years. But I am sure that no one would want to make the period less than three years; it would be taken, I think, as a sort of estimate by the government of the probable duration of the war, which would be undesirable.

The alternative is that the measure terminate within a certain period after the termination of hostilities or some declaration of peace. All those phrases are extremely ambiguous, so that experience has taught that if an act is to expire it must be expressed as to expire at the date of an order in council or a proclamation which conclusively declares a certain state of affairs to exist. That has been provided in one or two acts, as the hon. gentleman knows, such as the act providing for the mobilization of services, and it is provided for in another act that I was looking at not long ago. But those are acts concerning which we all know the desirable termination date; there can be no dispute about it. As to this I would not know whether it should be a year after such a proclamation, if a proclamation were to be made, or six months or when it should be. I think that will have to be left to the judgment of the government or of parliament in the future.

Finally, there was this consideration: I do not think it would do for us to put a termination date on the Excess Profits Tax Act and not at the same time fix one for the National Defence Tax Act, which imposes a tax on people of small incomes, and this parliament would be in an indefensible position if we did one and not the other. I do not think it would be practicable to go through the provisions of our taxing statutes and pick out those which should have a termination date put on. It is expected that this measure will terminate after its purposes are served. It is a war measure, and I have little doubt that we shall have plenty of suggestions from parliament prompting its repeal. I do not think the hon. member's fear, namely, that it will not come up for discussion in the house, is well grounded.

Mr. McCANN: The taxes of the last war are still in operation.

Mr. HANSON (York-Sunbury): Yes; that is the trouble. I am afraid that these taxes, and the national defence tax, are here to stay. If there is no limitation to sections in the measure, the chances are they will stay beyond our tenure of office in the house. I am no prophet, but just watch and see.

Mr. SLAGHT: "You can't take it with you."

Section agreed to.

Bill reported, read the third time and passed.

At six o'clock the house adjourned, without question put, pursuant to standing order, until Thursday, July 25, at eleven a.m.

[Mr. Ilsley.]

Thursday, July 25, 1940

The house met at eleven o'clock.

DEFENCE OF CANADA REGULATIONS

Third report of special committee on the defence of Canada regulations—Mr. Ilsley.

QUESTIONS

(Questions answered orally are indicated by an asterisk.)

THE SATURDAY EVENING POST

Mr. BRUCE:

Does the government propose to take any steps to ban the *Saturday Evening Post* from public sale and circulation through the mails in this country?

Mr. CASGRAIN:

1. Since shortly after the outbreak of war last September, all incoming publications from American and other sources have been subjected to careful examination by the postal censorship and the examiner of publications, under the direction of the press censors for Canada. All publications containing subversive material have been drawn to the attention of the press censors, and steps have been taken to exclude all of those publications which appeared to contravene the defence of Canada regulations. Publications in all leading European languages have been examined in this search for subversive material. Altogether, since the beginning of the war about 180 periodicals and a quantity of other material, books, pamphlets, circulars, etc., have been denied entry into this country. No less than 17 periodicals published in the United States had been banned in the period September 1, 1939, to June 20, 1940. Eight or ten others are now in process of being excluded.

2. The Chicago *Tribune* and the *Saturday Evening Post* and all other leading weekly and daily publications entering Canada from the United States are being examined regularly by the examiner of publications for the press censors. Each publication is dealt with on its merits and on the basis of its record. To date the press censors for Canada have not recommended the exclusion of the Chicago *Tribune* or the *Saturday Evening Post* because they were not satisfied that the nature and quantity of such subversive material as these publications may have contained warranted excluding them from this country, in the light of other considerations which were involved in such drastic action. The recent policy of both the Chicago *Tribune* and the *Saturday Evening Post* has been more favourable to the British cause, but every

issue of these publications is being carefully examined and the policy adopted is based on the current contents.

QUESTIONS PASSED AS ORDERS FOR RETURNS

GASPÉ AND MAGDALEN ISLANDS PUBLIC WORKS

Mr. ROY:

1. Did the government execute any works, during the months of October, November and December, 1939, in the settlement of Val d'Espoir, townships of Rameau, Perce and Malbaie, Gaspé county?

2. If so, by what department, and from what appropriation have the works been executed?

3. What amount has been expended for that purpose in the county of Gaspé and the Magdalen islands?

GOVERNMENT PURCHASES OF VESSELS

Mr. HAZEN:

1. How many vessels, if any, of 1,000 tons or less, has the government purchased from private individuals or companies since September last?

2. Who were the vendors of these vessels?

3. What was the purchase price in each case?

4. What was the nature of each of these vessels?

5. How many of them were yachts or pleasure boats?

CANADIAN NATIONAL RAILWAYS

PROVISION TO MEET CERTAIN EXPENDITURES AND GUARANTEE OF SECURITIES AND INDEBTEDNESS

Hon. J. L. ILSLEY (Minister of Finance) moved that the house go into committee at the next sitting to consider the following resolution:

That it is expedient to bring in a measure to authorize the Canadian National Railway Company to issue securities not exceeding $15,104,000 in principal amount to provide the moneys necessary to meet capital expenditures made or to be made during the calendar year 1940, and to make provision for the retirement of capital indebtedness during the said calendar year and to issue substituted securities for refunding purposes; to authorize the governor in council to guarantee the principal, interest and sinking funds of such securities; and to authorize the making of temporary loans to the said company secured by such securities and not exceeding $15,104,000 in principal amount to enable the said company to meet such expenditures and indebtedness.

He said: His Excellency the Governor General, having been made acquainted with the subject matter of this resolution, recommends it to the consideration of the house.

Motion agreed to.

OIL CONTROL

SUPPLY OF CRUDE OIL TO REGINA CONSUMERS' COOPERATIVE REFINERY—PRORATION OF TURNER VALLEY PRODUCTION

On the orders of the day:

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, I wish to direct a question to the Minister of Munitions and Supply (Mr. Howe). On Monday last, at page 1811 of *Hansard*, the minister indicated that he would inquire of the oil controller what the position was regarding supplies of oil to the Regina Consumers' Cooperative Refinery, and see what steps could be taken to meet their crude oil requirements from the Alberta field. Is the minister prepared to give us the result of his inquiry?

Hon. C. D. HOWE (Minister of Munitions and Supply): I have received a letter from the oil controller on this point. It says:

The nominations by all of the refineries aggregated 31,136 barrels. The Consumers requested a nomination of 1,500 barrels per day, approximately a 200 per cent increase over their last summer's requirements, June to October inclusive. In June to October last year they were supplied, according to my information, approximately 496 barrels per day. Other refineries increased their nominations, as compared with the same period, by about 23 per cent.

Had all of the refiners increased their nominations equally to that of the Consumers, the Turner Valley field would have to operate at the rate of approximately 75,000 barrels per day, and the most we seem to get out of it is 26,000 barrels per day.

I think that sets out the problem. The controller is attempting to prorate the production of the Turner Valley field as equitably as possible. I do not know whether this information wholly answers my hon. friend, but I shall see that the company in question and the other small refiners are treated as well as possible having regard to the limited production from that field.

Mr. JOHNSTON (Bow River): Is that yield of 26,000 barrels per day under the pro rata arrangement?

Mr. HOWE: The oil controller asked the Alberta government for a production of 30,000 barrels per day out of what that government claimed to be a production capacity of 35,000 barrels per day. I understand that the government, which has charge of proration, is delivering from that field the maximum amount possible, which to-day amounts to between 26,000 and 27,000 barrels per day.

Mr. COLDWELL: Does not the difficulty arise from the fact that the two major companies own the wells and are not relinquishing any of the oil from their own wells? Could not this government do something about that under the mobilization act?

Mr. HOWE: It is my understanding that the field, including the wells owned by the large companies, is being regulated by the provincial government, and that the provincial government is instructing the companies as to the amount of oil they must produce. My understanding is that every well is producing all that it can, having in mind a reasonable use of the wells for the reasonable life of the field.

ROYAL CANADIAN AIR FORCE

STATUS OF APPLICANTS ACCEPTED AND AWAITING CALL TO SERVICE

On the orders of the day:

Mr. M. C. SENN (Haldimand): Mr. Speaker, I should like to address a question either to the Minister of National Defence (Mr. Ralston) or to the Minister of National War Services (Mr. Gardiner). A number of young men in this country who have their private pilot's licence or have had some training in the air have made application to join the Royal Canadian Air Force, and their applications have been acted upon to the extent that they have been called up for medical examination, have been accepted and are now awaiting call to service. Is it the intention of the Department of National Defence to have these young men called up in any of the drafts that may be made, or will they be considered as volunteers?

Hon. C. G. POWER (Minister of National Defence for Air): Perhaps I might answer that question, Mr. Speaker. The question has been receiving consideration. As I have already stated in the house we have no particular tie on these men who have made application to join the Royal Canadian Air Force and whose application forms have been completed and recorded. There is nothing to prevent them from joining any of the other armed forces. My own view at the moment, subject to consideration, would be that if they are of the age classes to be called up, they should be called up; thirty days' drill will not do them any harm. The fact that they are called up under the mobilization act will not prevent them from realizing their ambition to join the Royal Canadian Air Force should they be qualified to do so.

BUSINESS OF PARLIAMENT

REDIVISION OF WORK OF COMMONS AND SENATE TO MEET MODERN CONDITIONS

On the orders of the day:

Mr. T. L. CHURCH (Broadview): Mr. Speaker, I wish to ask the Prime Minister a question. I asked the same question last year in this house on March 2, 1939. Will the government in the recess of parliament give consideration to the appointment of a joint committee of this house and their honours to consider a redivision of the work of the two houses with a view to increasing the efficiency of parliament and making it more practical to meet modern conditions and those brought about by the war? The other house sometimes adjourns for several days because they have no business before them. We might well follow the practice in the old country where the two houses appoint a joint committee to divide the work of parliament.

Right Hon. W. L. MACKENZIE KING (Prime Minister): Mr. Speaker, I think the suggestion made by my hon. friend is a good one and I shall be glad to give it careful consideration. He has referred to the advisability of having a joint committee of the two houses review the arrangements as between them as regards their respective business. It may be that such a conference would help to facilitate the business of parliament. At any rate, it could do no harm and it might do some good.

I would say to my hon. friend, however, with reference to the business of this particular session, I know there has been a feeling that some of the measures might have originated in the other house rather than here, but having regard to their character it was almost inevitable that the war measures brought down this year should be introduced first of all in this house. With respect to the unemployment insurance bill, I rather think that the right place to begin it was this house, having regard to the explanations that had to be given in advance, and so forth. But the suggestion of my hon. friend that the business of the two houses be reviewed with a view to seeing if it cannot be subdivided in a way that will facilitate the business of parliament generally is a very good one, and the government will be glad to consider it between now and next session.

NATIONAL DEFENCE

RECRUITING ARRANGEMENTS AT THE TORONTO ARMOURIES

On the orders of the day:

Mr. T. L. CHURCH (Broadview): Mr. Speaker, may I ask the Minister of National Defence (Mr. Ralston) to look into conditions outside the Toronto armouries, where several hundred men are lined up in the heat awaiting the opportunity to enlist. The regiments have been recruited almost up to full strength, yet

they are going out into the country to get men. I asked the minister the other day to look into this situation, which has been brought to the attention of some of the members from Toronto.

Hon. J. L. RALSTON (Minister of National Defence): I shall be very glad to do so at once.

TREACHERY ACT

PROVISION OF PENALTIES FOR GIVING ASSISTANCE TO THE ENEMY

Hon. J. L. ILSLEY (for the Minister of Justice) moved the second reading of Bill No. 73, respecting treachery.

Hon. R. B. HANSON (Leader of the Opposition): Is there to be no explanation of this bill, Mr. Speaker? It is one of the most important bills we have had before parliament. It deals with the liberties and life of the subject, and surely someone on the government benches will make some statement with regard to this measure on the motion for second reading.

Mr. ILSLEY: Mr. Speaker, although this bill stands in the name of the Minister of Justice perhaps it is appropriate that I should say a few words, since I was chairman of the committee which recommended this bill to the consideration of the house. Hon. gentlemen may remember that the hon. member for Parry Sound (Mr. Slaght), speaking in the debate on the proposal to set up a committee to review the defence of Canada regulations, advocated the establishment of the death penalty for treachery. Perhaps the word "treachery" was not used at that time, but the hon. member for Parry Sound brought very forcibly to the attention of the house what all of us knew and had considered to a greater or lesser extent, namely that in this particular war there is danger of immense damage being done by the activities of saboteurs, and what are called "fifth columnists", and traitors in every sense of the word. Damage of that kind was done in the small and neutral countries of Europe which were invaded by Germany; the way was thus paved for the rapid conquest of those countries; and it was felt that the committee which had been set up by parliament should give special and immediate attention to the question whether our own law was adequate to meet situations of the kind.

Therefore the first duty to which the committee addressed itself was the consideration of that question. We found that Great Britain had considered the same question, that the parliament of the United Kingdom had passed an act called the Treachery act, in which there was an accurate and precise definition of the offences which should, in the opinion of that parliament, be regarded as so serious as to deserve the punishment of death. The committee gave its attention to the existing provisions of the law. The provisions which relate to acts of this sort are those of the criminal code relating to treasonable offences, those of the criminal code relating to mischief, the provisions of the Official Secrets Act, and the provisions of the defence of Canada regulations themselves. If hon. members have read the second report of the committee set up to consider and review the defence of Canada regulations they will find concisely—

Mr. HANSON (York-Sunbury): Is that the one dated June 20?

Mr. ILSLEY: No, July 2: they will find concisely there a statement or a reference to the previously-existing law, a brief analysis of the situation generally, and a brief statement of the reasons which led the committee to make the recommendations which they did.

The defence of Canada regulations are passed under the provisions of the War Measures Act, and the maximum punishment which can be inflicted under the War Measures Act is five years' imprisonment. Five years' imprisonment is not adequate to meet offences of the kind under consideration.

The provisions of the criminal code relating to treason are not sufficient to cover what we have in mind. To begin with, a person cannot be convicted of treason unless he owes allegiance to the crown. That does not mean that necessarily he must be a British subject, but he must have accepted or adopted in some way the protection of the crown so that he owes allegiance to the crown.

Mr. HANSON (York-Sunbury). It must be either natural or local, according to Brougham.

Mr. ILSLEY: It was the opinion of the committee, and I think it is the opinion of the legal profession, that persons who came here temporarily, clandestinely, with the idea of being here a short time—perhaps coming here from the United States, if such a thing might occur, with a view of doing damage by way of sabotage or otherwise and then returning to that country—could not be convicted of treason, because they would not come within the purview of the present sections of the criminal code. Besides, treason is not clearly defined in the code. It permits of a great deal of argument as to what is and what is not treason. Further, there is a

curious option with regard to punishment for treason. The best legal advice that the committee could get on that point was this, that the judge has the option of imposing death as the penalty or of letting the accused go altogether; he has no discretion to do anything between those two extremes.

Mr. HANSON (York-Sunbury): That is an astonishing statement.

Mr. ILSLEY: It surprises my hon. friend? Well, it surprised every member of the committee with a possible exception of one, who, to his great credit, raised the point. The provisions of the section relating to treason are that the person who is convicted of treason shall be liable to suffer death. It is different from the provision relating to murder, where he must suffer death if he is convicted of murder. The provision of the code which gives the judge a discretion to reduce the penalty provided by the section does not extend, it would seem, to the section relating to treason; it extends only to the sections relating to imprisonment. If the penalty is life imprisonment, the judge imposing the sentence can make it anything less than life, but in the case of treason he apparently has an option, either to send the accused away with a warning or otherwise, or to sentence him to be hanged. That is not a satisfactory condition in so far as punishment is concerned. I do not think that this is the position in England, either. I believe that in England, treason, if established, must result in capital punishment.

These are some of the defects in the existing law both as regards proof and as regards punishment. The "mischief" sections are not appropriate to the conditions which may arise. They are not complete; they were not designed with a war or apprehended war or anything of the kind in view; they are what might be called peace-time criminal sections.

The Official Secrets Act, while dealing with spying, wrongful communication of information, unauthorized use of information, and other things of the character under consideration, is not complete for the purpose in mind. It does not authorize imprisonment for more than seven years, a maximum which the committee deemed inadequate in some circumstances. After due consideration we decided that there should be enacted in this country a provision such as the United Kingdom enacted with regard to certain serious offences. The offences I have in mind can be very shortly stated.

The offence which it is thought proper to punish with death is that if, with intent to help the enemy, any person does or attempts or conspires with any other person to do any act which is designed or likely to give assistance to the naval, military or air operations of the enemy, to impede like operations of his majesty's forces, or to endanger life, he shall be guilty of an indictable offence and shall on conviction suffer death. There is another provision of the act; it relates to somewhat less serious offences.

Mr. HANSON (York-Sunbury): Is not a new offence created by that provision?

Mr. ILSLEY: This other provision of the act is not found in the treachery act of the United Kingdom. It is found in the defence regulations of the United Kingdom.

Mr. HANSON (York-Sunbury): But it is a new offence in Canada.

Mr. ILSLEY: Yes. It may be included among certain existing offences or many acts which would be offences under this other provision to which I have referred. But in this form it is not in the law of Canada at the present time. In that sense it is new in this act. It is taken from the defence regulations of the United Kingdom. Defence regulation number 2A reads:

> If, with intent to assist an enemy, any person does any act which is likely to assist an enemy or prejudice the public safety, the defence of the realm or the efficient prosecution of war, then, without prejudice to the law relating to treason, he shall be guilty of an offence against this regulation and shall, on conviction or indictment, be liable to penal servitude for life.

With the proper change in terminology necessary by reason of our practice here we have adopted that section exactly as it is. These are the two main sections of the Treachery Act. That is the substance of the act. It may be thought that the capital offence section is pretty severe. The committee fully considered the desirability of providing a discretionary power in the judge to make the punishment either death or life imprisonment, and after very full consideration it was their opinion that no discretionary power of that kind should be vested in the judge, although it is fair to say that the committee were not unanimous. One member and perhaps others felt that there should be that option on the part of the judge. It is fair, however, to add that these members do not feel too strongly on that point, knowing that it is a debatable matter. The large majority of the committee were of the opinion that, these offences being extremely serious—because they must be done with intent to help the enemy—once the intent and the act are proved, there should be no option but that the person convicted should suffer death.

The usual safeguards are thrown around the accused. There should be some control in the institution of a prosecution of this kind. It cannot be begun without consent of the Attorney General of Canada. In the second place, the accused has the usual protection of the grand jury in those provinces in which there are grand juries. First, there is the preliminary inquiry before the magistrate and later he has the protection of the jury, if one can call it protection; at any rate, he has the right to go before a jury. And then there are provisions for appeal. I should add, however, that appeals are expedited. There is a section designed to expedite the hearing of appeals so that cases will not drag on for any length of time. Finally, there is the power of the governor in council to commute a sentence if it is felt in exceptional cases that this should be done, just as in the case of murder. There are some subordinate provisions of the act, notably those relating to courts martial and their jurisdiction. They are given concurrent jurisdiction over persons subject to the military law and over alien enemies in cases where alien enemies are sent to them for trial or it is deemed advisable that they be tried by court martial. The punishment in case of conviction by court martial is not by hanging but by shooting, and that is probably the universal rule in most countries with which we are acquainted.

Mr. HANSON (York-Sunbury): Why is the court martial provision there? My understanding is that military men prefer the method of shooting to hanging. I do not know that it makes much difference in the final result, but I suppose it is a matter of military etiquette, shall I say.

Mr. ILSLEY: I prefer to have such questions answered in committee, and I shall have to rely on my colleagues in the committee, some of whom are experts on these questions of courts martial, military law and so on. I do not pretend to be an expert at all. There are some less important provisions with regard to procedure, all of which are necessary and which can be explained as the bill is discussed in committee. The bill has been drafted with as much care as the committee has been able to exercise and I am convinced that it deserves to be passed by the house.

Mr. H. C. GREEN (Vancouver South): Speaking on behalf of the official opposition, may I say that we approve the principle of this bill. It must seem strange to all of us that here in Canada we should have a bill of this type before our national parliament, but it is one of the consequences following from what has happened in Europe in the last three months. Three months ago, I dare say, not one member of this house would have been in favour of a bill of this kind, but in that time we have seen Norway, Holland, Belgium and France go down, and in each instance these nations have fallen, in a marked degree, because of traitorous activities within their boundaries. Great Britain has realized that situation, and in May of this year, for the first time in its history, the British parliament enacted a similar law for the motherland.

The measure which is being discussed to-day is modelled on the British act. The British passed that act as one of the precautions they have taken to preserve the safety of the state, and I suggest to the house that for just that reason this bill should be accepted unanimously by the Canadian house. The Prime Minister of Great Britain, the Right Hon. Winston Churchill, very nicely summed up the situation with regard to traitors in Great Britain in his speech which was reported in the Canadian press on July 14, in which he said:

> Behind these soldiers of the regular army, as a means of destruction for parachutists, air borne invaders—

And I stress the following words:

> —or any traitors that may be found in our midst, and I do not believe there are many—woe betide them, they will get short shrift—

I suggest that these are words that might very well be repeated in Canada. No law-abiding Canadian citizen, no matter what his origin, no matter what his descent, need fear this act, because it is for his protection. It is not to hurt him. This bill is meant for traitors, and for traitors only.

In Canada, as the special committee reported on July 2—the report may be found in Votes and Proceedings of that date—there is no adequate measure at the moment for dealing with traitors to our country. We have the treason provisions of the criminal code, as pointed out by the Minister of Finance (Mr. Ilsley). But those provisions do not cover the enemy agent who comes over from south of the boundary and commits or attempts to commit acts such as those covered by this new bill. They do not cover men landing say on the Pacific coast from a freighter from across the Pacific ocean and proceeding to do acts covered by this bill. These are acts of the type meant to be covered by this bill. The penalty for treason which has stood in our criminal code for decades is just the same

as the penalty under section 3 of this bill. It is found in section 74 subsection 2 of the criminal code:

> Everyone who commits treason is guilty of an indictable offence and liable to suffer death.

Surely treachery at this time, in this crisis in the life of this nation, is just as great an offence as treason in peace time, and the penalty for treachery, for traitorous acts at this time, should be just as severe.

Other offences not adequately covered at the moment in Canada are spying and sabotage. In Great Britain, as the Minister of Finance pointed out, there is provision for life imprisonment for spying. In Canada the maximum penalty is seven years. That is under the official secrets act passed last year, or the year before. For sabotage in Great Britain there can be imprisonment for life; in Canada we can only imprison for five years because the offence of sabotage is covered only by the defence of Canada regulations. The maximum penalty allowed under the War Measures Act is five years, and of course the defence of Canada regulations are based on the War Measures Act.

Then in connection with this new bill I would point out that in order to convict an accused of the more serious offences, contained in section 3 of the bill, the prosecution must prove not only intent to help the enemy but also doing, attempting or conspiring to do any act which is designed or likely (a) to give assistance to the naval, military or air operations of the enemy, or (b) to impede like operations of His Majesty's forces, or (c) to endanger life. Generally speaking there must be a civil trial, and there must be a jury. Probably an accused would be charged under both sections 3 and 4, section 4 dealing with the lesser offences, and the punishment under it being life imprisonment. There is little doubt that if two charges were laid against an accused the jury would convict on the lesser offence unless they were convinced that the man was an out-and-out traitor to Canada. Then there is the right to exercise clemency, resting in the governor in council. There is a great protection to the accused. Further, this legislation is only for the duration of the war. It has not been made a part of the criminal code for that very reason. Section 11 provides that:

> This act shall expire on the issue of the second of the two proclamations specified in section 2 of the War Measures Act.

I would ask hon. members of the house to support the bill. One of our great mistakes hitherto has been that we have not faced realities. There has been too much wishful thinking, too much telling our people the best side of the story. We would have rendered far better service to them if we had let them know the actual facts, good or bad. We can depend on the judgment of our people to do the right thing if they know the facts. We have had enough of wishful thinking in Canada in the present crisis. We in this house and the Canadian people as a whole must realize the alternatives that we face: Are we to continue as a free nation or are we to be slaves? There are those two alternatives, and we might as well face them. This bill in my opinion faces those two alternatives, and I would ask hon. members of the house to give it their support.

Mr. A. G. SLAGHT (Parry Sound): This legislation in my view is timely, and this is the day and hour for parliament to pass it. We in Canada have been singularly and fortunately free from sabotage. That is largely due to the very efficient secret service which we have in the personnel of the mounted police, and the fact that they did not wait until war was upon us, but for the past two years have been devoting a considerable part of the time of that great staff, formerly only 2,500 men, now increased to some 3,000, to anticipating war and the necessity for interning dangerous people in Canada. We cannot pay too high a tribute to Commissioner S. T. Wood and the secret service force of Canada in that regard.

When war broke with Germany last September plans were ready in advance, over-night raids were made clear across Canada, and in forty-eight hours the Royal Canadian Mounted Police had landed in the net several hundred of the ringleaders and the most dangerous potential saboteurs of German origin. Similarly when Italy declared war on June 10, some weeks ago only, lightning raids were made and a much larger number of dangerous men of Italian racial origin were apprehended. These raids were not reckless haphazard movements; they were the result of patient, relentless, skilled secret service work covering not merely weeks or months but years of concentrated investigation.

Supplementing this great force, good work has been done by provincial and municipal police forces in every province. And besides this our loyal citizenship has to some extent been alive to the dangers from within and has cooperated with the official police and military agencies to counteract the campaign of espionage, sabotage and treachery against which eternal vigilance is necessary.

For my own part I have devoted some special attention to this subject. On May 13, 1939, some fourteen months ago, I gave

the house details that I had collected as to sabotage in the last war, establishing that Germany had sent to New York $150,000,000 to be used for this purpose alone. These activities were carried out under von Bernstorff, von Papen and other German diplomats in the United States, and the activities which centred in New York at that time covered Canada. My purpose was not to be an alarmist, nor is what I say now intended to cause alarm. Rather I am speaking in the interests of realism, in order that we may recognize the very grave danger facing this country. Our great neighbour to the south has at the present time a full appreciation of this danger from subversive elements, foreign agents and spies. Let me quote the official figures as given by Mr. J. Edgar Hoover, director of the federal bureau of investigation, in his last annual report to Hon. Frank Murphy, United States attorney general. According to this report, during the five years prior to 1938 the bureau had an average of only 35 spy cases annually. In 1938 they had 250 spy cases, but in the fiscal year ending June 30, 1939, no less than 1,651 new spy cases were investigated by that bureau. This was all before there was any war in Europe, while Germany was still proclaiming her peaceful intentions towards the rest of the world and Russia was still wearing the cloak of the peaceful friend of the working man instead of its true robes as the butcher of Poland and Finland.

By passing this law Canada serves notice on all criminally-minded enemies within, or who may contemplate coming to Canada for evil deeds, that they will pay the price for their crimes by being hanged by the neck on the gallows, with the further assurance contained in this new law, as has been explained, that their trial, conviction and execution will be speeded by our courts even beyond our ordinary procedure, which already is regarded as very rapid justice. I think in that regard Canada stands out in the eyes of the nations of the world. I suggest that we should not be misled by the seeming calm at present. The records of the last war disclosed that no real outbreak of this kind occurred until six months after war had begun. To-day as never before the mother country needs what Canada and the United States can furnish. We know the situation, with twelve hundred miles of coast line from the Arctic ocean to the south of France in enemy hands and entirely cut off as a source of supply. The artery between our ports and New York and Great Britain must be kept open to transmit the lifeblood, both in food and munitions, that the mother country must have if it is to survive, just as the arteries leading to our hearts must be kept open. If we crush subversive elements in connection with our war activities, power, manufacturing and matters of that kind, we shall be doing a great service not only to our own country but to the mother country as well.

Let me quote to the house an extract from Herman Rauschning's book "Hitler Speaks". Rauschning was formerly president of the state of Danzig, as hon. members will recall, and for some years was an associate of Hitler. A few days ago the leader of the opposition (Mr. Hanson) read some extracts from that book, but I think these are particularly pertinent to the topic in hand this morning. Hitler is quoted as saying:

> Nothing will be easier than to produce a bloody revolution in North America. North America is a medley of races. The ferment goes on under a cover of democracy.

Rauschning's comment was:

> The conversation dealt with the importance of internal unrest as a weapon.

I quote again from page 81 of the book:

> The scramble for fodder and distorted ambition—these were the unfailing means to a revolutionary weapon by which the enemy was struck from the rear.

And again:

> And as for money for this purpose, there would always be money. It was true that these conspiracy methods grew costlier as one moved further westward. But that was the only difference. They would succeed everywhere. Hitler guaranteed that.

Hon. members will recall that on June 11 the leader of the opposition read some further quotations from that book on fifth column activities, which will be found on page 664 of *Hansard* and are well worth the study of any hon. member who doubts the need for a measure of this kind. The story of the past three months, as the hon. member for Vancouver South (Mr. Green) put it, of Norway, Belgium, Holland and even France, makes it clear that the quotations I have given were no idle boasts, because they have been translated into stark, grim reality in these countries. Norway, Belgium and Holland were attacked and invaded; there were no negotiations with regard to any differences, great or small, this ruthless man attacked these peaceful countries overnight, and after that they had no chance to intern alien enemies. Until he made war upon them without warning they had no alien enemies within, because they had no enemies in the declared, official sense of the word. Thus they found themselves in a pitiful plight. This enemy was not merely at the door; the German hordes swept over their borders, and then there was no opportunity to intern those

within their countries concerned with fifth column activities. We are in a more fortunate position because, as I have said, we have anticipated this sort of thing and taken action to prevent it, and a good job has been done.

Let me indicate a situation which may not be quite apropos to the passing of this bill but which someone should bring to the attention of parliament and the people of Canada. In this country of about eleven million people we have some 140,000 people of Italian origin and some 728,000 of German origin, a total of some 868,000 people having their racial origin in these two enemy countries. These figures probably are conservative; they were given the other day by the leader of the opposition, and I have taken them from him. The great majority of these people are loyal, law-abiding folk; I do not think we should forget that. In their hearts the great majority have nothing but distrust, fear and hatred for the two dictators, Mussolini and Hitler. They know living conditions in Europe; they know the truth as to the iron heel. In Canada they have tasted the joy of freedom and of life under conditions quite unknown in the Italy and Germany of to-day. Their children are being reared and educated to enjoy all our blessings, blessings which have disappeared in Europe. Only a small element among these people have any evil intent. I suggest that in respect of the great majority of them we should show tolerance and even kindliness and sympathy for the position in which they find themselves to-day. They are unhappy in the knowledge of the slaughter and cruelty that is occurring in Europe, and they are sensitive to the glances and the treatment which have been accorded them by some since the war broke out. To all such loyal people of these two racial origins we should show unmistakably our friendship and sympathy in their difficult situation. I suggest that the teachers in the public schools and the parents of our scholars should see to it that our Anglo-Saxon boys and girls do not taunt or ostracize these boys and girls of foreign origin. We all know the mischievous inclination of youngsters to that sort of thing, but it usually disappears with maturity. I suggest that we should do everything to prevent that type of conduct being shown toward these people, and to the same end let the grown-ups have a care in their churches, in their sports and in their social activities. By so doing we will warm these people to the land of their adoption and to the people of the land of their adoption; if we adopt the opposite course we tend to drive them into a sullen or sulky feeling in the belief that they are being unfairly discriminated against.

[Mr. Slaght.]

I am sure that parliament will acquit me of any undue or mushy or sentimental tolerance toward saboteurs and treachery, but I do stress the importance of the plea I have just made. At the same time I reaffirm my belief in the necessity of swift and ruthless treatment of wrongdoers. I should like to close by again quoting from the remarks of Mr. Churchill a short time ago, when he expressed our present-day attitude so splendidly by saying, "I see great reason for concern and vigilance, but none whatever for despair."

Mr. M. J. COLDWELL (Rosetown-Biggar): Mr. Speaker, I intend to discuss this bill quite briefly. At the outset let me say that while I consider its provisions quite severe, there is one feature of the measure which commends itself to me. There is a change from the method used under the defence of Canada regulations, in that this bill provides for all the usual facilities of court procedure. My main criticism of the defence of Canada regulations has been and is that the rule of law has been set aside. With this bill the rule of law with all its safeguards still prevails. Having said that, however, let me add that in my opinion the penalties are severe. As a member of the committee which reported this bill to parliament I dissented from the mandatory provision that the death penalty must be imposed by the judge. I have never been satisfied that the death penalty is a real deterrent to crime. A person may be such a menace to society that the death penalty is warranted as a means of getting rid of him permanently, but I believe that after all punishment is meant to reform; consequently I prefer imprisonment to the imposition of the death penalty.

The provisions of the criminal code which relate to treasonable offences are inadequate to meet present day conditions. Among other things, they do not cover those who do not owe allegiance to the crown, such as enemies who without acquiring residence here may come to the country in a clandestine way for hostile purposes and by acts of sabotage endeavour to undermine our system of national defence. I think all members of the committee agreed that that was the fact and that because of the conditions which prevail and the experience of other countries during the past several months a bill to deal with treachery was a necessity. But as I say, I should like to see an alternative penalty provided in the form of a prison sentence. I realize of course that when the alternative penalty is provided a lesser sentence than life imprisonment may be imposed. As has been pointed out, the section provides that intent to do certain things shall be proved. I shall

not attempt to discuss the section now, beyond saying that I do not like the words "or likely to give assistance to the enemy." I am of the opinion that when a penalty of this sort is to be imposed there should be an obligation upon the court to see that that which has been done was done with the most malicious intent.

We have heard that there has been considerable fifth column activity in certain countries, but it seems to me that in this country we have been looking for subversive activities in the wrong places. We have looked among the poor, among the depressed and among people of alien origin when as a matter of fact the most effective subversive activities in European countries were all hidden from view and were carried on by those in the highest places. We had Quisling in Norway and we had the men in France who were connected with the fascist organizations and who supported Hitler and Mussolini in their first attempt to destroy democracy in Europe by effectively supporting Franco's rebel government in Spain. We must beware lest we overlook people who may be in prominent positions, but who nevertheless are a greater danger to the state than those of humble origin or even those of enemy origin. If the provisions of this bill are to be carried out we should endeavour to find out those persons and associations who have carried on similar activities of a subversive character in our own Dominion of Canada.

I hope that in the enforcement of this legislation great care will be exercised. I should like again to pay a tribute to the Minister of Justice (Mr. Lapointe). I believe that as long as he is Minister of Justice great care will be exercised and I have no hesitation in placing in his hands the right to make the decisions which have to be made under the bill. But I have some hesitation in connection with other sections of the bill which grant to the provincial attorneys general the right to lay charges. If I may mention one of them—because I think we should be explicit when dealing with nine attorneys general—I have particular reference to the attorney general of the province of Ontario, who for some time it seems to me, has been suffering from a bad dose of war hysteria. I am afraid that much of the criticism of the defence of Canada regulations has arisen just from the kind of enforcement which that gentleman has encouraged in Ontario. It spreads all through the community from the top down. Hysteria is contagious. A small town council in the province of Ontario within the past two weeks instituted proceedings against three men connected with a labour organization for distributing among the workers in New Toronto a pamphlet which virtually summarizes the order in council which the government of Canada placed before this house several weeks ago. That, it seems to me, tends to promote rather than diminish unrest, because our working people feel that they are being deprived of their elementary rights. I know perfectly well that if the New Toronto by-law under which these proceedings were taken were challenged in the courts it would be promptly set aside. Nevertheless we must be vigilant to see that legislation of this kind is not used to encourage some forms of war hysteria, which in turn will promote the very thing we wish to avoid. If large bodies of our people feel that they are prevented from exercising their democratic rights they will become restless, unrest will spread throughout the country, and they will become a prey to insidious fifth column activities.

I should like to see clause 3 of this bill modified. As a member of this house and of the committee, as one who is anxious to preserve our democratic rights in this war period, I recognize that an act of this kind, no matter how severe its penalties may be, is infinitely to be preferred to regulations under which action may be taken because it does give the individual the right of trial in the courts of the land. When we get into committee I shall endeavour to amend the bill, but I realize the necessity of an act of this kind in view of the experience of recent months in Europe. I hope also that the sole power to lay charges against individuals under the act will be under the control of this parliament through its Minister of Justice, and that an alternative may be provided for the death penalty.

Mr. VINCENT DUPUIS (Chambly-Rouville): Mr. Speaker, as a member of the committee which considered the defence of Canada regulations I think it my duty to make a few remarks concerning the attitude of my own group, if I may use that term, towards this legislation. I shall not attempt to make my remarks in the English language lest I be misunderstood by learned statesmen in this sanctuary of knowledge and eloquence—

Mr. DOUGLAS (Weyburn): Go ahead; you are doing pretty well.

Mr. DUPUIS: With your indulgence, Mr. Speaker, I shall make my remarks in my mother tongue.

Mr. MacNICOL: The hon. member will be well understood in English the way he is going now.

Mr. DUPUIS (Translation): Mr. Speaker, as I just said in English, I am a member of the committee which was appointed to consider legislation connected with the war and which, as the Minister of Finance (Mr. Ilsley) has so well explained, brought in a bill respecting treachery, which it called "The Treachery Act," in order to distinguish it from the chapter of the Criminal Code respecting treason.

I intend when the bill is considered in committee to suggest to hon. members the advisability of amending the short title by adding thereto "1940," as in the British act which is entitled "The Treachery Act, 1940."

What is the object of this bill? What led the members of the committee to draft it? The general public, and many lawyers as well, may wonder why it is necessary to enact a law respecting treachery when there already is one in the Criminal Code. The answer is that the legislation respecting treason found in the Criminal Code applies only to British subjects. Under its provisions, any British subject who commits any crime therein defined against his majesty, against the person of the king, the queen or a member of the royal family, or against the king's property, is liable to be convicted of treason. But what action could the courts take in the case of a person who is not a British subject and who came to Canada solely to commit acts of sabotage? There is a deficiency there, and it is in order to make up for this deficiency in the law that we have recommended the bill now before the house—the Treachery Act, 1940, intended to meet the case of the enemy alien who commits a crime covered by sections 3 and 4.

Section 3 reads as follows:

> Notwithstanding anything contained in any other act, regulation or law, if, with intent to help the enemy, any person does, or attempts or conspires with any other person to do, any act which is designed or likely to give assistance to the naval, military or air operations of the enemy, to impede like operations of His Majesty's forces, or to endanger life, he shall be guilty of an indictable offence and shall on conviction suffer death.

As previous speakers have pointed out in English, the committee discussed at length the question of whether the words used should be "shall be liable to suffer death" or, as in the British act, "shall suffer death." We chose the harsher method.

Section 4 reads as follows:

> If with intent to assist the enemy any person does any act which is likely to assist the enemy or to prejudice the public safety, the defence of Canada, or the efficient prosecution of the war, then, without prejudice to the law relating to treason or the provisions of section three of this act, he shall be guilty of an indictable offence and shall on conviction be liable to imprisonment for life.

Those two sections, as I have just pointed out, will apply to enemy aliens. Should a German or an Italian residing in the United States, clandestinely cross into Canada at some point of the immense boundary line left unprotected because of the bonds of friendship which unite us to our southern neighbour, and commit an act of sabotage in Canada, he would in the event of being apprehended by Canadian justice suffer one of the two penalties provided by sections 3 and 4.

The bill before us authorizes recourse to rigorous measures. For instance, a man arrested in Halifax may be tried in Vancouver. It is well to understand why the committee recommends such a thing. The general rule under the Criminal Code is that the trial should take place in the district where the alleged crime was committed. Changes of venue are granted only when the interests of justice demand them. We have, however, decided by subsection 3 of section 7 that the trial can take place anywhere in Canada.

Supposing—which God forbid—that Canada were invaded. A person having committed in Halifax a crime covered by this bill and having been arrested by the Royal Canadian Mounted Police could not be tried in Halifax if eastern Canada were under enemy occupation. We would then have the right, under this subsection, to hold the trial at any point in Canada not occupied by the enemy.

I come now to section 8 which prohibits bail. I am one of the majority of the committee who favoured this provision. Having observed the subversive methods used by the enemy since the outbreak of the war, his violation of his pledged word and the things he did in Europe, I feel that we in Canada should take all means necessary to prevent acts of sabotage likely to hinder the successful conduct of the war and that there should be no indulgence for those who commit such acts.

Mr. GAUTHIER: Hear, hear.

Mr. DUPUIS: We have decided, therefore, that no application for bail would be allowed in such a case.

Section 9, which we have adopted, provides a further drastic measure. It empowers the police to enter and search any premises. In peace time, I cherish, as do all other freedom loving citizens, this liberty for the sake of which we are presently at war; for, as everyone knows, we are fighting for an ideal, for a principle. The present war is one of conflicting principles, principles which, on the

one hand, ensure us, who reside in democratic countries and have been brought up in an atmosphere of liberty, the right to speak and to act as we wish, and to own the property we desire, as against an ideology which places all power in the hands of one man, the dictator. Thus would we never permit, in normal times, that such a measure be placed on our statute book, nor allow anyone to enter a peaceful and quiet home without first producing a warrant issued by a duly authorized tribunal. However, we are now at war, and, in view of the type of individual we have to guard against. I supported the adoption of this section 9, authorizing the mounted police to enter, without a warrant, any premises where there is good reason to believe or reasonable ground to suspect that the enemy is in possession of information or documents, or perhaps has hidden firearms.

In order that all may fully understand this section, I would like to describe the procedure followed by the right hon. Minister of Justice (Mr. Lapointe). Before doing so, however, may I take this occasion to thank the hon. member for Rosetown-Biggar (Mr. Coldwell) for his kind remarks concerning the Minister of Justice. Upon being informed, for instance, by a citizen of Joliette county, that there resides in a certain house, in this or that village, a person who appears to be a member of the fifth column, or an enemy alien or a traitor,—

Mr. FERLAND: There will never be any in Joliette.

Mr. DUPUIS: —the Minister of Justice does not, as one might believe, immediately order the mounted police to arrest this man. The minister orders instead that an investigation be conducted among the neighbours, relatives and friends of the suspect. Once this investigation is completed, the investigators submit a report to the minister who passes on this document to the mounted police. The latter then proceed to conduct a second investigation according to their admirable method, which is perhaps the surest, as applied by the most distinguished police body in the world. Members of the intelligence bureau are called upon to take charge of the investigation, and, once it is completed, the minister authorizes the mounted police to enter the premises, arrest all suspects and seize all documents, literature and firearms found therein. These were the measures taken after Canada had declared war on Germany, and, subsequently, when Italy declared war on Britain. As we have seen, these raids were not fruitless. In fact, the mounted police were thus able to find and confiscate an enormous quantity of documents and firearms as well as useful information.

I have no desire, at present, to speak at great length on this matter, since the bill is bound to be discussed again in committee of the whole, at which time I may take the opportunity of making further remarks concerning it. I would like nevertheless to say, Mr. Speaker, that, at the moment, no other measure could be more timely, and none more necessary, and that we should thank the hon. member for Parry Sound (Mr. Slaght) as well as the other members of the committee for their serious consideration of this matter and the very appropriate suggestions they have made. When adopted by the House, this bill will be our safeguard against traitors, it will serve as a warning to those who might intend to take action against His Majesty the King or any Crown property in Canada, and may perhaps prove the best means of preventing sabotage in this country.

In conclusion, may I draw the attention of all members of the house to the fact that this measure respecting treachery is being enacted solely for the purposes of the present war, and that its provisions will lapse immediately upon the cessation of hostilities.

Mr. T. L. CHURCH (Broadview): Mr. Speaker, the battle of the traitor within the gates is only beginning and in this as in other matters we are too late. We should have started long ago. I was glad to hear the hon. member for Chambly-Rouville (Mr. Dupuis), a representative of that glorious nation France, who finds herself in her present plight because of the activities of the fifth column. I congratulate the chairman of the committee; the hon. member for Parry Sound (Mr. Slaght), and all the other members of the committee, including one of our representatives on this side, the hon. member for Vancouver South (Mr. Green), on the work they have done. I am not surprised that at last those who have preached pacifism in this house and outside for many years and who have argued that we could depend on peace agreements and protocols and peace pacts should have changed their minds. It is something to be thankful for. It is the best thing that has happened yet to see them face to face with facts. I am glad to see that my friends to my left have come around to the proper view of the whole question, after believing for so many years in shows as the league, pan-Americanism, and the doctrine of collective security. The prophet Jeremiah warned us in chapter 37, verse 19, of what would take place. He made a prophecy with

regard to France and the mother country with reference to these traitors. These are his words:

Where are now your prophets which prophesied unto you, saying, the King of Babylon shall not come against you, nor against this land?

Words of wisdom to the glorious mother country, left alone to battle against the anti-Christ!

Bill No. 73, the bill before us, does not go as far as the British act. That act goes much further by regulation. Regulation 18B reads:

If the secretary of state has reasonable cause to believe any person to be of hostile origin or associations or to have been recently concerned in acts prejudicial to the public safety or the defence of the realm or in the preparation or instigation of such acts and that by reason thereof it is necessary to exercise control over him, he may make an order against that person directing that he be detained.

May I read, with regard to the report on the fifth column submitted last fall to the British House of Commons by Sir John Anderson, the following, as set out in the *National Review* for July, 1940—dealing with his subversive propaganda bill similar to this bill 73:

While the details of the material on which Sir John Anderson acted in each individual case have not been published the status and contacts of some of the internees are formidably impressive. They included a member of parliament (Capt. A. M. Ramsay), Sir Oswald Mosley (a former cabinet minister in a labour government), a £600 a year official in the Ministry of Health, a vice-chairman of a provincial chamber of commerce, the wife of an O.B.E. and commander in the R.N.R., a member of the East Anglia Petroleum Board, an engineer previously employed in the B.B.C. (Frank Joyce, brother of the renegade William Joyce, alias Lord Haw-Haw, who was Mosley's director of propaganda until they parted company in 1937), a clerk previously employed in the Air Ministry (Quentin Joyce, another brother of William), a war work factory manager (Ben Greene), some members of the Metropolitan Police Force, C. I. Dick, a wealthy business man (stated by the Evening *Standard* to be one of Sir Oswald Mosley's principal supporters), the Borough Surveyor of Guilford and local A.R.P. chief (Hamilton Knight, who had previously been assistant-surveyor at Portsmouth), a member of the staff of the government training centre in Leicester, an official of the Worcester employment exchange, a government factory inspector, a Borough councillor, a sub-postmaster, a farmer, a schoolmaster, an ex-employee of the military censorship, a society woman with special seamanship and aviation qualifications, a former chairman of the Alton Women's unionist association, an army captain, and two serving soldiers, members of the fascist party.

"Fifth column activities", or to use the language of regulation 18B, "acts prejudicial to the public safety or the defence of the realm," are of course highly elastic expressions. The gamut can run from militant pacifism (usually manifested in anti-war and anti-recruiting campaigns, in exhortations to the armed forces not to fight, and occasionally in sabotage) through defeatism and movements for a negotiated peace—to rank anti-British and pro-German propaganda—to reach its climax in a treasonable conspiracy to join the enemy in waging war on his majesty. According to the Sunday *Express* (June 9th), the government has water-tight evidence that some of the 500 persons interned have been involved in treacherous correspondence with Germany through the medium of coded dispatches and the agency of a specific individual also interned. According to the same source the plot involved that certain other specific individuals, now interned, should in due course act as Gauleiters or governors of various parts of Britain. According to the information of Lord Marley, speaking in the House of Lords on June 13th, the Gauleiter nominated for England was a well-known mountebank, and the Gauleiter nominated for Scotland was a member of the House of Commons also under lock and key.

That just shows the diversified way in which these fifth column people are attempting to destroy the empire. We are so close to the United States border that we do not notice the large number of issues of the gutter press of the United States entering Canada without any restrictions whatever while censors are asleep and have no knowledge of the world in which we live. Australia has banned five hundred United States newspapers and here we are without any press censorship or only a sham one with no knowledge of war. The day before yesterday the minister in charge of press censorship in Great Britain was asked whether the present regulations would be modified, but he declared that the newspapers would be relied upon to exercise discretion. There are no press censors in Britain at all. He was asked whether he proposed to change the regulations and he said, no, he would trust the press and do without a censor. Our press censorship is a sham, and a burlesque, a hollow farce. There has been no satisfactory method of giving information to the public.

On March 21 of last year on a motion to go into supply, I referred to the lack of information given the public in connection with the radio, and I said if the people are refused the facts freedom is at an end. I asked for the full truth, not once but many times during the sessions of 1937, 1938, and 1939, and not a newspaper reported it. And yet they are talking about not being given proper information. All that an American lady said on the radio a week ago has been said here on defence, not once but many times, and not a newspaper even cared to tell the people the truth about the danger to Canada from Germany. The people of Canada were blindfolded. Read *Hansard* and see. Truth has been the first casualty in this war, and self-respect the first victim of neutrality.

I am glad to see a representative of the French-speaking people taking the stand he does, because he is supported by two great Frenchmen. What did that great statesman, Clemenceau, say on June 14, 1918, when they had the same propaganda about an early peace? I quote:

> We shall win through to victory if the government is equal to its task. . . . I shall fight in front of Paris, I shall fight in Paris, I shall fight behind Paris.

Foch said at Doullens when Petain spoke of surrender:

> I cannot understand not fighting. I should fight in front of Amiens, behind Amiens, in front of Paris, behind Paris.

Petain proposed to act the part of traitor after Verdun in 1918 as now, but the glorious French nation to whom he owed victory in the last war stood steadfast against the hordes of barbarians.

That is the spirit that animates the glorious French nation yet to-day and their glorious soldiers. When they soon find leaders like they used to have, victory will come back to them, and I know that the people of Canada will support them, as they weep for the sufferings of those brave, heroic patriots of glorious France. God bless them.

One body of people I wish to refer to is some of the pacifist professors of this country, who are a nuisance and one of Hitler's fifth column. The professors are at it again; they are going to meet again at "Geneva", near Orillia, if you please; this should be stopped. We know what they said last August and in the very week when war was declared, we imported anti-ally United States professors into this country. They should be denied admission to Canada. Here are some of the things they and some of our own said in the past year; that Canada was safe, that it could depend on the League of Nations to keep it safe, that the French army, the glorious French army of four or five million men would do all the fighting for this country; that the United States would come in, we know what a myth that is. I am surprised at the amount of propaganda from the United States. The anti-ally chain-letter press system should not be allowed in this country. The way they go on it is hard for the people of Canada to get any information. The newspapers will not report the proceedings of this house, yet all these United States publications come to this country, and the people of Canada do not know a thing of what is going on. Owing to the lack of information during the past four years in the press and over the United States radio, we are the worst-informed people in the world on defence and foreign affairs and on the activities of this notorious fifth column. And some of these professors, imported and Canadian, quote the words of the President of the United States, "We will not stand idly by," and we will quarantine the dictators. We listened to the idle mischievous words of Cordell Hull who told us that Germany would collapse if the British air force instead of doing its duty dropped leaflets, not bombs. All these delusions are of another age. Our empire knows and Canada knows now where we stand, since we have only the mother country to protect our shores.

We are too late in everything. The past four years have been ones of misled opportunity. The proposed useless registration is three years too late; as in the case of Australia, it could have been done through the post. In my opinion it will amount to nothing. It is a sham and a delusion and is of no value whatever to Britain. I do not believe in it; I do not believe there is such a thing as "home defence" against this fifth column or against Hitler. The defence of Canada will be decided in Britain, and if they fail it will be all over with us. Let us fight the fifth column within our gates, and outside all who are supporting the fifth column. Our defence is over there in Britain, and if they fail, the fight for civilization is all over.

The first time this matter was heard of was during the war session. I asked about it nine or ten times. I had a motion about subversive activities on January 25 last, on May 16 and during the war session asking the government to consider the appointment of a committee to deal with the fifth column and subversive matters. I am glad this committee has got to work, although it has only touched the fringe of the subject. We should go to work as Australia did when they excluded about five hundred of these United States publications, yet these are now coming into Canada and doing the work of the enemy, while our press censors and our useless information bureaux are asleep.

I refer to what Sir John Simon said on the first clause of his bill. He was asked a question by Mr. James Griffith, reported in the British *Hansard* for 1936, and it was up again on the Anderson bill. The minister, referring to a question by Mr. Mander, made the following statement in the British House of Commons on August 3, 1939:

> The information I have shows that the organization is being used as an instrument of the German propaganda service and that money has been received from Germany by one of its active organizers. (*Hansard,* vol. 350, col. 2649.)

The minister replied in October last in the British house on the work of fifth column professors—"Canada also has a few," he said:

The reference is apparently to Professor A. P. Laurie who, according to the Daily *Telegraph* of August 8, admitted that he received £150 from a German publishing firm for writing a book on the nazi case. The same A. P. Laurie on the eve of the war addressed the young men of Britain as follows:

"For you it is death on the battlefield or imprisonment, or if you get too troublesome, the firing squad. They are already shooting batches of men in Poland who are refusing to fight; before we have finished it may come to that here."

The government of the day would be well advised to change the system of censorship and put it up to our newspapers, because the censorship to-day is one of the agencies being used indirectly by these organizations to escape the rules and regulations. If we set up a censorship that will act, and put it up to our newspapers, following the example of the British, we shall have accomplished a great deal of what Bill No. 73 stands for. These people are all over the country, they are on the streets, their work is on the newsstands, their treatises are being sold in many weekly publications. I wish the government every success in this work. If they back up the work of the committee and put this bill into action all over Canada the people of Quebec will get some real protection and the people of the English-speaking provinces also, from these enemies within our gates who want to do this country to death. We know what happened when Mr. Welles was sent to Europe last spring and visited Hitler. I say advisedly that he was promised that if the United States kept out of the war they would get Canada under any peace treaty that might be made. We know of the work of von Ribbentrop here in Ottawa years ago; these are the people who have been at work in Canada. What did Hitler say about this fifth column? He said: the international socialists, the professors and members of this column are Germany's first and last friends in Europe.

Mr. A. W. NEILL (Comox-Alberni): I should like to make a suggestion to the minister in charge of this bill. I know he will not pay attention to it, but it will take only a couple of minutes and I shall have discharged my responsibility. Section 3 says, leaving out the non-pertinent parts: Anyone who with intent to help the enemy does certain things shall on conviction suffer death. It is in law what I think mathematicians call a postulate that if two or three or four men set out to commit a crime, which may be entirely trivial in character, perhaps petty theft, and on their way in the carrying out of that design, which is illegal of course, they meet a constable and one pulls a gun and kills him, they do not hang only the man who fired the shot, but hang the whole four, on the ground that they were all of a common party, even though three of them had no gun and no intention of doing anything of the kind.

Mr. HANSON (York-Sunbury): They are *particeps criminis*.

Mr. NEILL: Yes, I know of two cases of my own knowledge; one was particularly pitiful. In the case I am putting three or four men gather together to go out and blow up a bridge. Hang them by all means, because if they succeed they may cause the death of hundreds of innocent people by wrecking a train. But I envision this: the men gather at the home of one of the party before starting out; perhaps the woman of the house gives them coffee, or when they return she dries their clothes—an ignorant woman who may have only a very vague idea of the illegal act in which her husband is engaged. Nevertheless, applying this rule of common law, that woman would be hanged along with the rest.

Mr. HANSON (York-Sunbury): Not likely.

Mr. NEILL: Not likely, but that is the law. I suggest that the last line might be amended to read that such persons would be liable to death or such lesser penalty as the judge or jury might prescribe; I do not know the correct legal way to express it. I think we should so amend this section that a person who may be not entirely innocent but so nearly innocent as to relieve him of any real responsibility, would not be sentenced to hang under the rule of law I have quoted.

Hon. H. A. BRUCE (Parkdale): Mr. Speaker, although the hon. member for Vancouver South (Mr. Green) expressed the approval of the official opposition in regard to this bill, in which I concur, I should like to say a word or two in view of the fact that on several occasions I drew the attention of the Minister of Justice (Mr. Lapointe) to the danger from subversive elements. In the very excellent presentation made by the hon. member for Parry Sound (Mr. Slaght) a few moments ago, he made no reference to the speech I delivered in this house on May 28 last from which I should like to be permitted to read a few words. I was referring to subversive elements, and during the course of my remarks said:

What I ask this government and the Minister of Justice especially is, whether they are so blind in view of what has been revealed as to suppose that Canada is immune.

I meant from the danger of sabotage, and so on.

Those of us who know anything at all about this country know the contrary. We also know that the more expeditiously Canada goes about

the business of a more intensified war effort, which we were told by the ministers here during the past few days they intend to do, the greater the danger from within. . . .

Perhaps because of the peculiar audacity of the communist agitators working under cover, with orders from Moscow, we have paid too little attention to fascist and nazi activities in our midst. A fact which stares us in the face to-day is that ever since last August the communist, nazi and fascist elements in Canada have made common cause with each other. Their sole objective is to destroy the British empire by whatever means lie at their hands. We are living in a fool's paradise if we assume that Canada, the premier dominion, a dominion with enormous potentialities for assisting the allies to win the war, is to be excluded from this objective.

A short time ago the hon. member for Parry Sound said he was not an alarmist but a realist. On May 22 I expressed the same view in these words—

Mr. DUPUIS: Before the hon. gentleman proceeds to read, or reread, his speech, I should like to remind him that according to the rules of this house he has no right to read speeches he made during the same session. I do not want to prevent him from making his speech—

Mr. BRUCE: I was going to read only a short extract. On the occasion referred to, I ventured to ask the Minister of Justice whether, in view of what had happened recently, he would take a realistic view of the situation. My remarks, however, met with a rather unfriendly reception on the part of hon. gentlemen opposite. During that address, the hon. member for Parry Sound asked me several questions, to which I replied on July 4, as reported at page 1332 of *Hansard*.

I am very glad indeed that the committee has had its meetings and has come to such a satisfactory conclusion resulting in this eminently satisfactory bill. There is just one other matter to which I should like to refer; that is, to that part of the remarks of the hon. member for Rosetown-Biggar (Mr. Coldwell), in which he referred to the attorney general of Ontario as suffering from hysteria. As a medical man that does not seem to me a very nice term to apply to a man occupying a distinguished position.

Mr. COLDWELL: What is the medical term?

Mr. BRUCE: It means an uncontrolled condition of mind without any physical basis, or as applied in this case, without any facts to support the attitude taken on this particular issue. May I say that the attorney general of Ontario has under his authority the provincial police of Ontario. It is also his duty to appoint two members of the board of police commissioners of the city of Toronto. Therefore he is in a unique position to obtain important information in regard to the activities of these subversive elements; and if anyone in the country is in a position to act on facts, in a realistic way, it is the attorney general of Ontario. I presume the attorneys general of other provinces would be in an equally fortunate position. Therefore on behalf of the attorney general of Ontario, whom I know to be a man of integrity, I say that if he was active in calling attention to the dangers from within, I am quite sure he had very good reason for the position he took.

Right Hon. W. L. MACKENZIE KING (Prime Minister): My hon. friend has been speaking on behalf of the attorney general of Ontario. I should like to say just a word on behalf of the Minister of Justice (Mr. Lapointe). If I understood him aright the hon. member for Parkdale (Mr. Bruce) said he had made certain suggestions with regard to subversive activities which had not been given a very kindly reception by hon. gentlemen opposite, meaning on this side of the chamber.

Mr. BRUCE: I did not mean by the Minister of Justice but by some members of the house opposite.

Mr. MACKENZIE KING: I am glad my hon. friend has made that clear, because I am sure no hon. member of this house has been more deeply concerned about subversive activities and the necessary action to be taken in relation thereto than has the Minister of Justice. In his absence I should not like that statement to go unchallenged.

Mr. BRUCE: I should like to supplement what I said by stating that I have great respect and admiration for the Minister of Justice, who has treated me with courtesy and kindness.

At one o'clock the house took recess.

The house resumed at three o'clock.

Mr. J. A. MARSHALL (Camrose): Mr. Speaker, with the possible exception of the hon. member for Rosetown-Biggar (Mr. Coldwell), every hon. member who has taken part in this debate so far is a member of the legal profession, and it may seem presumptuous for one who is not a member of that profession to speak at this time. I consider myself fortunate in having been appointed a member of the committee which was set up by the Prime Minister (Mr. Mackenzie King) to discuss the defence of

Canada regulations and make such recommendations as were deemed necessary. In my opinion this committee is the most important committee ever set up by the House of Commons.

Many Canadians hold the view that there are few laws on our statute books through which a clever lawyer could not drive a horse and buggy. But in my opinion this bill is fool-proof. How could it be otherwise when eleven or twelve of the fifteen members of the committee, members of the legal profession, standing very high in the opinion of the courts of this country, placed their seal of approval upon the bill? I am one of the two or three who are not members of that profession and I realize my shortcomings so far as legal training is concerned. It was difficult at times to follow the arguments of some of my associates, but I believe we have a bill which will prove of vast importance to the people of Canada.

With your permission, Mr. Speaker, I should like to dwell for a moment or two upon the deliberations of the committee. As all hon. members are aware, the sittings of this committee were held in camera. Such a procedure has its advantages and disadvantages. The main disadvantage was the fact that no written record was kept of the proceedings. I found it difficult to bring the salient facts of this bill to the attention of other members of my group without the help of written evidence. But the advantages completely outweighed the disadvantages. The meetings were completely without restraint. The law officers of the crown drew aside the veil and permitted us to look behind the scenes and see how justice operates under present conditions. The government officials who assisted us in our deliberations did not hesitate for one moment to give us all the information we desired. I do not believe that that would have been possible in an open committee. The law officers and government officials would have been compelled to pull their punches, so to speak, and we would have been handicapped in the work of the past few weeks.

This committee was not a political committee in any sense of the term in spite of the fact that the majority of the members belonged to the Liberal party. There was close cooperation among the members and harmony prevailed at all times. We considered that the subjects under discussion were too vital to allow politics to sway our better judgment. War is a cruel business. The forces of totalitarianism will stop at nothing. Fifth column activities present grave and serious difficulties. There are quislings in high places and in key positions in industry. Treason and treachery are rampant in our land. As a committee we had to face these problems and consider how best to deal with the difficulties which confront the Canadian people at this time. We knew we must meet this new threat, this new system of warfare, which is foreign to our nature and to the nature of the British people as a race, with fairness, courage and resolution. We knew we must stamp out these fifth column activities with every force at our command if we were to survive as a nation. As one newspaper aptly put it not long ago when referring to the British government, we knew we must get tough. Speaking prior to the sitting of the committee the member for Parry Sound (Mr. Slaght) said that we must have an act with teeth in it. Of course the question naturally arises whether we should make those teeth sharp or blunt.

Mr. DOUGLAS (Weyburn): Be sure they are not false teeth.

Mr. MARSHALL: As I listened to his speech I must confess that I could not see eye to eye with him on that occasion. I could not bring myself to the point of sanctioning a bill which imposed the death penalty for any offence less than murder in the first degree. Yet to-day I find myself supporting the government on this measure, a measure which I hope has sharp teeth in it. I do not wish the house to think that I am vacillating between two opinions. That is not the case. This war has taught us many things, and the notions that we had yesterday are outworn and outmoded to-day. Changes are taking place very rapidly. Everything is at stake in this war. We are fighting not for possessions or power or prestige. We are fighting for independence. We are fighting for our liberty. We are fighting for our very existence.

This act is to be known as the Treachery Act. I know that it is severe. The British as a race are a kindly, humane, long-suffering and patient people. The British nation has been built up on the golden rule of good-will towards all men. Yet the British recently gave their approval to a measure, almost identical in terms with the bill before us, which passed the House of Commons at Westminster. This bill goes far beyond anything which heretofore has been deemed necessary for the effective control of subversive activities in this country. Section 3 of the bill seems to be the most objectionable of all because it imposes the death penalty for major offences, for treachery. I objected in the committee to the severity of this penalty. It was death, nothing more and

nothing less. I still have the feeling sometimes that I should like to see the penalty read "liable to suffer death".

During the course of our discussions in committee we had the assistance of the law officers of the crown. We learned from them of the subversive activities of individuals and groups in this country and of the perils we may encounter so long as they remain at large, free to carry on their nefarious practices. Let me assure hon. members that there were times in that committee when I felt that hanging or shooting would be too good for some of these human perverts. Just cast your minds back over the march of recent events in Europe. I think of the British statesman who purposely refrained from telling the British people in 1934 that Germany was re-arming and that the British should embark upon an intensive programme of re-armament because he knew that if he told the truth to Britain the government in power might lose the election. When I think of the fate which befell Norway and the treacherous acts of Quisling, and of how France was humbled in the dust because orders to blow up certain bridges went unheeded and because of treachery in high places; when I think that Canada, as I am informed, is full of Quislings and that perhaps our turn may come next in the drama where treason and treachery have played the leading parts, I think this bill is not too severe in imposing the death penalty provided by section 3.

In conclusion I must say that I am not speaking for all the members of this group. I have suggested to them that they support the measure generally, and I believe they will do so, but I have asked them to reserve their judgment on section 3 until they have heard the arguments which I hope will be carefully presented to the house during the next few hours, and then to use their own judgment. I would ask the chairman of the committee, who has done an excellent job thus far, to go into section 3 most thoroughly for the benefit of that small section of the house who are not members of the legal profession and who would like to have a detailed explanation of this important provision of the bill.

Mr. A. J. BROOKS (Royal): Mr. Speaker, I also was a member of the committee which has been studying the defence of Canada regulations and I assisted in preparing this treachery bill. I have sat on some very important committees in the five years that I have been a member of the house and I consider that I have sat on no committee which had more important work to do than the one whose report we are now considering.

I want to pay the same tribute to the members of the committee that was expressed by the hon. member for Camrose (Mr. Marshall), who has just taken his seat. The chairman of the committee worked hard and assiduously, as indeed did all the members of the committee, but I am sure that the chairman, in addition to his duties on the committee had many other important tasks to perform between our sittings.

I am sorry that I was not in the house this morning when the bill was being discussed by the hon. member for Parry Sound (Mr. Slaght) and the hon. member for Vancouver South (Mr. Green), both of whom have taken a great deal of interest in the work of the committee and have given valuable service.

As I listened to the statements of people who came here from outside the house to express their views before the committee I was impressed by the sincerity with which they presented their case. I noticed that many of them who came here more or less adverse to some of the ideas of the committee, as expressed, went away in complete agreement with the views taken by members of the committee. The committee was virtually unanimous in its view, and this bill represents their practically unanimous decision. As has been stated by hon. members who have previously spoken, it is a measure much out of the ordinary, but one realizes that we are living in extraordinary times. Otherwise it might seem strange that we Canadians, noted as a peace-loving people, should have such a drastic measure presented to us at the present time. Our history for the past hundred years has been much more one of peace than of war, and under these circumstances I do not believe that as a people we are fully conscious of what mischief could be done through traitorous acts either within our country or outside it.

Opposed to the ideals which we regard as Canadian are the ideals of our enemies the German nazis and the Italian fascists. Their mentality is wholly different from ours. Their hopes and aspirations are entirely opposed to the hopes and aspirations of the Canadian people and the peoples of our great empire. Our enemies are relentless and implacable. They believe that the end justifies the means. We know from their history during the last number of years that they have not scrupled to try to debauch the peoples of many other countries, particularly those they wished to conquer. They have tried and have proved successful in their efforts to defeat these states, not only by utilizing force from without, but more particularly, I think, through force applied from within. Countries have been mentioned to-day in which these efforts have been eminently successful. We know as regards Norway that when Germany entered that country it was found that traitorous and fifth

column activities had left it an easy prey to the invader. The same tactics were successfully employed in Holland, in Belgium, in France, and in practically every other country which the German armies have entered during the past ten months. It was these considerations which led your committee, with whom I am sure this house will agree, to the conclusion that a measure of this kind is necessary for the safety of our people.

The committee held most of its meetings in camera, and the reports which were given to us were not open to other hon. members. But may I say that the reports we received from representatives of the Department of Justice and of the Royal Canadian Mounted Police would persuade, I am sure, the most doubtful member of this house that the action which is being taken is more than necessary. In speaking of the Royal Canadian Mounted Police, Mr. Speaker, I wish to pay tribute to the members of this force and to say that it is difficult to overestimate the gratitude we owe them for the work they are doing for Canada to-day.

Section 3, providing for the death penalty, is the most important clause of the bill. It has already been discussed by hon. members who have spoken in this debate. In the report which was made not long ago to the house by our chairman, the necessity of this step was pointed out. In my opinion the law is fair and just as regards those who wish to preserve the liberties and safety of our country, and I do not believe anyone can assert that it is the least unfair in its application to those who would work for the destruction of our very existence.

A short time ago Mr. Churchill made some allusion to this subject. May I pause for a moment to pay tribute to one whom I believe to be the greatest man in the world to-day. It would seem to me, as it must seem to many other hon. members and other people in Canada, in the empire, and all over the civilized world, that this man has been given us by divine providence to guide us through these most troublous times. Mr. Churchill said a few weeks ago:

> This is no war of chieftains or of princes, dynasties or national ambitions. It is a war of peoples and of causes. There are vast numbers, not only in this island but in every land, who will render us faithful service in this war but whose names will never be known, whose deeds will never be recorded.

Those words, I know, could appropriately be used of many members of the Royal Canadian Mounted Police force who are working day and night for the preservation of our country and whose deeds will never be recorded. Mr. Churchill continued:

> This is a war of the unknown warrior, but let all strive without failing in faith or in duty, and the dark curse of Hitler will be lifted from our age.

Mr. Cordell Hull, speaking along the same line in the United States a short time afterwards, pointed out that—

> Nation after nation has been crushed into surrender, overrun and enslaved by the exercise of brute force combined with fraud and guile.

Fraud and guile are the enemies which we are trying to combat by measures such as this.

Other sections of the bill which were more or less criticized in committee by people who came to present their case are sections 8 and 10. Section 8 has reference to bail. This no doubt will be discussed thoroughly when the bill is considered clause by clause. Section 10 relates to arrest without warrant. To some these sections may seem severe, but I am sure that, in the light of present conditions, they did not seem severe to the committee.

I feel that this bill should commend itself to the judgment of every hon. member of this house.

Mr. BROOKE CLAXTON (St. Lawrence-St. George): Mr. Speaker, as a new member I regard it as a very great privilege to have been a member of the committee on the defence of Canada regulations which has been meeting since the middle of June and which brought in the report upon which is founded the bill now under consideration by this house.

I do not want to traverse the ground covered so far to-day by members of the committee who have already spoken. I should like, however, to say a word or two to some of the people in Canada who are greatly concerned lest our civil liberties be unduly endangered by this special legislation or by the creation of special courts.

It is not just an academic expression of opinion to say that freedom is the lifeblood of our institutions. Every member of the committee believed that. Every member of this house believes that. In this war we are faced with the difficulty of reconciling the difference between security in the state and personal liberty. In this bill there is no invasion of personal liberty except for slight ones which I will mention in a minute or two. This bill contains the rule of law, which, with respect for liberty, forms the two principles on which our whole civilization is based; for they represent the essential difference between ourselves and the nazi enemy we are fighting. The differences in respect to which the strict rule of law is not main-

tained in this bill are contained in section 5, dealing with trials by court martial; section 6, dealing with the expedition of trials; section 7, providing for change of venue; and section 8, prohibiting bail after conviction. It is the view of the committee that in these respects departure from the ordinary rule of law is justified, and in fact the rule of law is proclaimed by putting into this act express provisions to which recourse will have to be had.

This measure has been explained in the speeches already given, but I should like to call the attention of the house to one paragraph in the report to be found at 166 of the Votes and Proceedings for this year. In paragraph 13 of the interim report of the committee which presented the bill, there appears the following:

> Attention is drawn to the fact that the draft bill deals only with offences of a major character where intent to assist the enemy is proven and that the defence of Canada regulations still apply to less serious offences.

Earlier in the debate the hon. member for Broadview (Mr. Church) suggested that this bill had been introduced too late and that now it was introduced it should be put into force right across Canada. Well, it has not been introduced too late because so far no offence has been reported which might conceivably come under the provisions of the bill. So far no offence has come to the attention of the police or of the committee which might conceivably be prosecuted under its provisions, and it is declared in the report of the committee, and it is quite clear, from sections 3 and 4 of the bill, that it is aimed only at serious offences involving aid to the enemy of a military or other like.

I do not think reference has been made to the fact that the Treachery Act, from which section 3 and several other provisions of this bill have been drawn, was discussed in the British house on May 22 of this year, a discussion that covered the ground which will be traversed this afternoon. Several members of the British house expressed the fear that the provisions of that act might be used for the purpose of prosecuting people who voiced views which were contrary to what was considered in the interests of the state—in other words against propaganda. The Attorney General of Britain met these criticisms by saying:

> I can give a complete and categorical assurance that this bill is not directed against propaganda.

A similar view is expressed in paragraph 13 of the report.

It may never be necessary to use the provisions of this bill; we hope it will never be. If the need arises, however, we shall have the law ready to be used, and within the four corners of the law we shall have machinery that we can put into operation so as to preserve the security of the state. But loyal citizens of Canada, whether of enemy origin or not, have nothing to fear from the provisions of the bill. It does not strike at civil liberties. It maintains the rule of law. It is in accord with British institutions, with the institutions which have been preached and practised in this parliament. For these reasons, with other members of the committee, I will support the bill.

Mr. E. G. HANSELL (Macleod): I desire to make only one or two observations and I do so in the light of several things that have already been said in this debate on the second reading. The hon. member for Parry Sound (Mr. Slaght) this morning spoke with reference to that section of our population who have suffered to some extent, through no fault of their own, because perhaps they may be of German origin going back several generations. The nation as a whole should regard with a good deal of satisfaction the remarks of the hon. member and try as far as possible to carry out the suggestions he made. I know that in small communities there are opinions which, like gossip, somehow or other spread and grow and the result is the infliction of a good deal of suffering on a certain section of the population who are in fact loyal citizens. One incident in my own constituency was drawn to my attention. A gentleman had a motion picture camera. There is nothing wrong with that, but his name was of Dutch origin, and some people who did not know better thought it was of German origin. The result was that he was labelled in that community and it was a matter of considerable concern to him. Such things are entirely unnecessary. I do believe that Canadians throughout the length and breadth of the country should recognize in this act no infringement upon the liberty of all Canadian citizens.

I might refer to an equally good speech which was delivered by the hon. member for Rosetown-Biggar (Mr. Coldwell). He pointed out that fifth column activities were to be found not only among the poorer classes of the people; from experience we have learned that these activities are to be found among, shall I say, the intelligentsia of the nation. In this connection I wonder if I might read a short extract from to-day's *Citizen*. The hon. member for Wetaskiwin (Mr. Jaques) has just handed it to me. On the editorial page there is a reprint of a letter sent to the Manchester *Guardian* signed H. G. Nicholas. I do not know who the gentleman is, but his address is given as Exeter College, Oxford.

The letter is interesting and bears upon the subject under discussion. To the editor of the Manchester *Guardian* he writes:

Sir,—

There are certain things about the French collapse which need saying and which have not yet been said nearly clearly or loudly enough, nor should one's profound sympathy for the plight of France deter one from saying them; for upon their realization depends not only our own safety but also France's ultimate recovery.

In the first place one does not need to be a marxist to recognize in the engineering of the French debacle a clear case of triumph of the interests of a class over the welfare of the nation. Once again, as in Germany during his struggle for power, Hitler has been able to count on the support of that group which prefers property to democracy. The point for us to notice is that France was betrayed not by the forces of the left but by the leaders of the right. The fifth column was not found, where we had so often been told to look for it, among the refugees to whom France gave shelter and whom her government now shamefully surrenders; it was not found in the working class suburbs or among the socialist leaders; it was not even found among the communists, who will now have in France's disillusionment such a full harvest for their reaping. It was found, where Franco properly first attributed it, among the financiers, the industrialists, the appeasers and the clericals.

Their success was facilitated by two factors which especially concern us. One was the decline of parliamentary morale and integrity for which Daladier must bear so much responsibility, the other the censorship of press and public opinion which cast the country into a mist of conjecture and ignorance and buried the government in a Maginot line of wishful thinking. These factors alone rendered worthless the heroic sacrifices of the French soldiers and workers.

The moral of all this for us is obvious: Not to look for Quislings under the wrong bed—they sleep on beautyrest mattresses—to tolerate no infringement of parliament's powers, and also, since the present parliament is five years removed from the electorate it represents, to insist that no official and no politician is free from responsibility or above criticism. There are weapons of freedom which no nazi armoury can ever possess. Properly used they can bring us victory and France freedom.

After reading that letter I am wondering whether such fifth column activities may not be found, not so much in relationship to personalities but in relationship to powers, to—shall I say—principalities, or to systems. Of course we recognize that no principality, no power operates without human personality; nothing is exercised without the medium of human beings. Somebody is responsible. I am not going into a discussion of just where finance has played its part in what we recognize might be, if not altogether, at least adjacent to fifth column activities. But I do believe that opportunity should be afforded for open discussion of the whole question, in order that we may put our finger upon the real reason for France's defeat, which might ultimately mean our own defeat.

Such an open discussion may not be as profitable or as desirable as some of us would like it to be. There seems to be a dark mystery about some of these things. Nobody knows. Sometimes we think we know, and sometimes people express themselves when they do not know what they are talking about. I suppose none of us is entirely free from that. The other day I placed on the order paper a question asking how many loans had been given to Germany over the past number of years from the Bank of England or through the banking system of Great Britain. The answer I got was, "no information". You see, you cannot get the information. Some time ago I asked for information about the activities of the directorate of the Bank of Canada. We were told that it was not in the public interest to give the information.

Now, Mr. Speaker, I am not going into this; I am simply arriving at a conclusion. There is something hidden underneath these things which nobody can discover but which governments should know. I am asking, not necessarily in connection with this particular bill but in connection with the whole subject related to it, that the Prime Minister give us further assurance—I do not think he gave us assurance enough when the leader of the opposition asked him the other day—that we shall have a secret session. Perhaps it need not last more than half a day or a day, but a secret session at which we shall have no fear of embarrassing the government and where the government would not be embarrassed; at which all parties can get together and ask questions about these things which seem to be so mysterious. As public servants duly elected by our several constituencies we have a right to know some of these things. If the Prime Minister does not care to give us a secret session it may be a temptation to some to discuss these matters openly—yes, as the hon. member for Rosetown-Biggar says, we shall have to. It might be on the estimates of the Department of External Affairs, for instance. But we do not want to have to do it openly. It would be a source of satisfaction to all parties in the house if the Prime Minister were to give us the opportunity of a secret session at which these matters can be really discussed. I do not know what the fate of Great Britain will be; we are beginning to shake in our shoes a little at the present time—

An hon. MEMBER: Never.

Mr. HANSELL: Indications are that Germany may soon begin her operations against

Great Britain. We fear it. I do not know what her fate may be, but let us remember this, that Canada has also declared war on Germany, and we cannot escape responsibility, whatever may be the outcome of nazi operations. I say that, Mr. Speaker, because I still have it in mind that we can get no information as to financial assistance given Germany before the outbreak of war, for example. We are fighting Germany, and we have a right to that information. Your Honour seems to be getting a little restless for fear I may not be strictly within the scope of this bill.

Mr. SPEAKER: I am afraid I must say that the hon. gentleman is not staying with the bill. He may not discuss the causes which led to the outbreak of war.

Mr. HANSELL: I thank you, Mr. Speaker. I thought I noticed you hesitating a little, and I tried to be as careful as possible in this matter. I do wish, however, that the Prime Minister would give us an assurance that before the session closes we shall have an opportunity to discuss these matters.

I should like to develop another line of thought in connection with this bill. I do trust that the people of Canada will not assume that this measure will take away any of their God-given rights in regard to their liberty. I believe all parties in this house are anxious to retain the liberty of our people; but there is always the possibility of misunderstanding, and I am afraid a great many of our people may assume that they have not the liberties they once had. I have in mind religious liberty, for example. Not long ago orders in council were passed declaring that certain organizations in Canada should be regarded henceforth as illegal organizations. I refer to Technocracy Incorporated and Jehovah's Witnesses, otherwise known as the International Bible Students. The hon. member for Vancouver East (Mr. MacInnis) asked for some information as to why these organizations had been declared illegal, and the Prime Minister, answering for the Minister of Justice, said:

> However, the literature of Technocracy Incorporated discloses, in effect, that one of its objects is to overthrow the government and constitution of this country by the use of force.

If that is so I have no criticism whatever to offer in regard to the decision of the government. Then the Prime Minister went on:

> The literature of Jehovah's Witnesses discloses, in effect, that man-made authority or law should not be recognized if it conflicts with the Jehovah's Witnesses' interpretation of the bible; that they refuse to salute the flag of any nation or to hail any man; and, that they oppose war.

The general effect of this literature is, amongst other things, to undermine the ordinary responsibilities of citizens, particularly in time of war.

I have no criticism to offer in that regard either. I believe the government acted fairly, as I think they always will; but the effect upon the public conscience, particularly in religious circles, may be that certain men will feel that they are not at liberty to teach and preach the bible. I know that is not what the minister had in mind. I had no desire to throw out bouquets unnecessarily, but we do have confidence in the Minister of Justice and we do think he really believes in religious tolerance and religious freedom. Nevertheless in our country there may be people who will feel that they are tied down in their religious views because of this order in council; and further, in ignorance of the facts, they may assume that if they teach the bible in some way or other that might be indirectly interpreted as casting some reflection upon our war effort, they will suffer death. We here know that is not so, and we believe the public should know it is not so. I believe it would help if we had a word from the minister that this measure in no way interferes with the public conscience, with public worship and the teaching of the holy scriptures as men may believe them.

May I interject here that I am not an adherent of nor do I favour Jehovah's Witnesses. I think they are all haywire; I believe they are all wrong. I have studied some of their literature, and I believe they are as far from the truth as any religious sect could be. Nevertheless there is a principle involved, that of religious liberty. If this sect have published anything to the effect that man-made authority or law should not be recognized if it conflicts with their interpretation of the bible, all I would say to them is that the bible itself is very specific in its teaching regarding the responsibilities of a citizen towards the government that is in power. I should like to read part of the 13th chapter of Romans:

> Let every soul be subject unto the higher powers. For there is no power but of God; the powers that be are ordained of God.

There the writer is referring to the power of magistrates in those days, or the power of governments in their official capacity. I continue:

> Whosoever therefore resisteth the power, resisteth the ordinance of God; and they that resist shall receive to themselves damnation.
>
> For rulers are not a terror to good works, but to the evil. Wilt thou then not be afraid of the power? do that which is good, and thou shalt have praise of the same:

For he is the minister of God to thee for good. But if thou do that which is evil, be afraid; for he beareth not the sword in vain: for he is the minister of God, a revenger to execute wrath upon him that doeth evil.

Wherefore ye must needs be subject, not only for wrath, but also for conscience sake.

For for this cause pay ye tribute also—

That is simply saying you pay taxes in order to be governed, which is proper.

Mr. DUPUIS: Do they say anything about the $25 a month?

Mr. SPEAKER: Order.

Mr. HANSELL: I am not talking about that. I am reading from the bible, and I think it ill behooves anyone to make a remark of that kind at this time. Any time the hon. gentleman wants to go to the mat with any of us on the Christian principles of the new economics we will go with him any old day he wishes.

Mr. DUPUIS: Could the hon. gentleman indicate the section of the bible which justifies the Doukhobors in going naked?

Mr. SPEAKER: Order.

Mr. HANSELL: I do not think that question requires any comment. It is not only irrelevant; its impudence is best unnoticed. Now I should like to conclude this Scripture reference:

For for this cause pay ye tribute also; for they are God's ministers, attending continually upon this very thing.

Render therefore to all their dues; tribute to whom tribute is due; custom to whom custom; fear to whom fear; honour to whom honour.

No religious body has anything to fear from this legislation. So long as its members are loyal citizens and live according to the laws of the country, they will have nothing to worry about. I do not want to repeat myself, but I wish the minister in charge of the bill would convey to the Prime Minister, who is not in his seat at the moment, what I believe is the desire of the members of this group and perhaps the members of other groups on the opposition side. We ask that opportunity be given to discuss some of these things, which are extremely important in connection with this whole matter, without any fear of embarrassing the government.

Mr. J. G. DIEFENBAKER (Lake Centre): Mr. Speaker, I had not intended to participate in this debate, but certain matters have come up which I think make it necessary for me to say a few words.

May I say at the outset that throughout its deliberations the committee on the defence of Canada regulations operated on a purely non-political basis. It was actuated by a desire to contribute something worth while at this trying time in our history. I should like to pay a tribute to the Minister of Finance (Mr. Ilsley) who acted as chairman and whose tact and industry and kindly consideration of the viewpoints of the members contributed much to the progress of the committee's work.

The last speaker (Mr. Hansell) made the suggestion that defeat might come to the empire. When I heard that the realization came to me that at this juncture in our history each of us should have faith, each of us should have a high standard of morale, each of us should be prepared to contribute something to assure victory. To those who say that defeat may come, let me, a Canadian of four generations, say that at this dark hour, when there are those who preach blue ruin, these words of Shakespeare come back to me to give me hope and solace:

This England never did, nor never shall,
Lie at the proud foot of a conqueror,
But when it first did help to wound itself,
Now these her princes are come home again,
Come the three corners of the world in arms,
And we shall shock them. Nought shall make us rue,
If England to itself do rest but true.

Such is the spirit which should actuate us to-day.

The defence of Canada regulations, to which the committee has been giving consideration during recent weeks, contain certain provisions aimed at the activities of calamity-howlers and rumour-mongers. The legislation now before the house is designed to prevent those who would destroy from carrying out their intentions, and it eliminates a defence which heretofore might have been made by those who had come into the country without owing allegiance to His Majesty the King. In his eloquent address this morning the hon. member for Parry Sound (Mr. Slaght) referred to certain fifth column activities. He pointed out that we have been fortunate in that there has been no sabotage in this country. He paid a well deserved tribute to the Royal Canadian Mounted Police. Without divulging in any way the evidence given before the committee, I may say that the hon. member was not at all extravagant in his praise of the mounted police. I refer particularly to their prompt action on September 3 last, and again on June 10, after Italy entered the war.

This legislation is designed to render impotent the quislings and those of like mind for the period of the war. To those who say that they do not believe the death penalty should be imposed, let me point out that the law to-day is that the death penalty shall be imposed upon one who commits

treason. Treason may be committed in any number of ways. Section 74, paragraph (i) of the criminal code, reads:

(i) Treason is assisting any public enemy at war with his majesty in such war by any means whatsoever.

This section is almost identical with the purport of section 3 of the present bill. This section eliminates a defence which would be available to those who come from foreign countries. There are fifth column activities in North America. According to a recent dispatch published in the Winnipeg *Tribune* of June 14, fifth column activities in Mexico at the present moment are more open and evident than they were in Holland just before Hitler moved into that country. The dispatch reads:

More evidence of nazi boring from within comes to the correspondent in Mexico than was available concerning nazi activities in Holland a few months before that country was invaded by the Germans. There are striking similarities in the material obtainable, but here there is less tendency to pooh-pooh than there was in smug, self-contained Holland.

Internal politics is the field of operation for the nazi gestapo and their propaganda brethen.

It goes on to point out that a vast organization has been built up in Mexico designed to destroy that country from within. The same is being done in Uruguay, where nazi officers, who migrated to that country after the last war, are busily at work.

This legislation is designed to protect the nation; it is a safety measure to be applied for the continuation of the war only. Those who say that a jury might be fearful of bringing in a verdict of guilty in borderline cases because the death penalty would have to be imposed should remember that an alternative verdict is open to the jury under section 4, which provides for a penalty of imprisonment for life.

I should like to offer one suggestion. Under our law, corroboration is necessary before treason can be proved. The reason for that is that in time of war it might well be that a man who has some feeling against another might secure the conviction of that man by the evidence he might give. That is why in treason and certain other offences it becomes necessary for the crown to bring forward, in addition to the evidence of one witness, corroborative evidence in a material particular. I suggest for the consideration of the minister when this bill gets into committee the addition of a paragraph providing that section 1002 of the criminal code shall apply to prosecutions under this act.

Section 7, subsection 3, which deals with the trial of persons charged with offences against the act, provides in part:

A person charged with an offence against this act who is in Canada may, whether or not the offence was committed in Canada, or in any British ship or aircraft registered in Canada, be taken in custody to any county or place in Canada, and, subject to the order of any superior court judge who is hereby authorized to make such order, may be proceeded against, indicted, tried and punished in any county or place in Canada, as if the offence had been committed in that county or place, and for all purposes incidental to or consequential on the trial or punishment of the offence it shall be deemed to have been committed in that county or place:

The provisions of the code to-day are that the accused shall be tried where the offence was committed. The reason for that is obvious. The jury will have a general knowledge of the local circumstances, an appreciation of local sentiment, and in general a knowledge of the accused. My suggestion to the Minister of Finance is that provision might be made to permit of a change of venue, as is provided for to-day in the criminal code, but that in general the trial of all accused persons shall take place where the offence was committed. Otherwise there might be criticism that the crown, in its desire to get a conviction, found it necessary to change the venue to a district where public sentiment had been so aroused that the accused might not receive a fair trial.

There is one thing about this legislation which I like. Some reference has been made to the fact that we are destroying liberty in our midst. Well, Mr. Speaker, there are many things which we have found it necessary to abrogate in the interest of the safety of the state. Britain found it necessary so to do, and, as the house has already been reminded, the British parliament in May last, in a matter of two hours and a half, placed in pawn, as security for victory, rights that had been gained and enjoyed for a thousand years. We do not by this legislation take away from any accused, whoever he may be, except an alien enemy under certain circumstances, the right to have his case tried by a jury of his peers.

This proposed legislation will strike terror and fear into the hearts of those who would destroy this nation. Such persons fear the death penalty. The death penalty is accepted in the case of murder because murder consists in destroying with intent the life of another human being. This legislation applies where by conspiracy the lives not of one but of many within the state may be destroyed by those who have taken refuge within the state.

The committee throughout its deliberations and in presenting this bill to the house was unanimous, as has been stated by the Minister of Finance, except on the question of the sentence of death being obligatory, to which

the hon. member for Rosetown-Biggar (Mr. Coldwell) took exception. I think the fear that some have in that regard might be removed by a provision that no conviction shall be registered on the uncorroborated evidence of either an accomplice or of others.

That this legislation is necessary is admitted in all parts of the house. As the last speaker has said, no one who has not a guilty mind, no one who will not work against the safety of the state has anything to fear. This is a precautionary measure. Our parliamentary institutions would be destroyed by treacherous persons operating from within if they were given the opportunity, believing as they do in the regimentation of mind and soul and body for the state. That doctrine, Mr. Speaker, is one which is foreign to us in this nation, and I for one intend to support this bill in the house as I did in committee, believing as I do that such persons will suffer the consequences of their treachery.

Motion agreed to, bill read the second time, and the house went into committee thereon, Mr. Vien in the chair.

On section 1—Short title.

Mr. HANSON (York-Sunbury): I understand that the primary reason for this bill is twofold. First, the present law against treason does not go quite far enough because of the lack of jurisdiction over persons who may not be domiciled in Canada. Second, the penalty under the statute, if I understood the Minister of Finance (Mr. Ilsley) correctly, is not considered sufficient. I am surprised at that last observation, because section 74(2) of the criminal code provides:

> Everyone who commits treason is guilty of an indictable offence and liable to suffer death.

It would appear to me that if a person is found guilty of treason as defined in section 74 of the criminal code, there is no alternative but death. If a person is not convicted of treason, there is, of course, no penalty at all. I must confess that I do not quite grasp the point of the observation made by the minister. None of us, I think, has ever had a case of treason—I have not—but I have always been taught at law school that the statute provides for the death penalty on conviction for treason.

Some time ago I started to make a brief on this bill. I did not get very far, but for the information of hon. members I should like to make these statements as the result of a little research.

According to the common law the duty of allegiance is based upon the relation which subsists between him who owes it and the crown, and upon the privileges derived by the former from that relation. Allegiance is either natural or local. Natural allegiance is that which a natural-born subject owes at all times and in all places to the crown as head of that society of which he is a member. Local allegiance is founded upon the protection which a foreigner enjoys for his person, his family and effects during his residence here—and I assume that that means domicile, while he is domiciled here, although there is a distinction between residence and domicile. If such foreigner during such residence here commits an offence which in the case of the natural-born subject would be treason, he is dealt with as a traitor, and this is so whether the sovereign be at peace or at war.

That, I believe, is the common law of England, and of course it is the common law of Canada. Unless the extension of the principle is to cover those who are not resident or domiciled here, the law would appear to me to be sufficient as at present. I am not controverting the bill; I am going to support it, but I should like to have it made clear that this is the reason for the extension of the principle.

It may be of some interest at this juncture if I refer to a case in the King's Bench in England, ex parte Liebmann reported at (1916) 1 Kings Bench, 268. In that case it was held that a German national who has obtained his discharge from German nationality but who has not become a naturalized British subject is under the provisions of German law in a privileged position, does not become entirely divested of the rights of a natural-born German, and therefore may be considered as an alien enemy. This is a matter of law which, I think, might usefully have been brought to the attention of the committee. I did not do so, I do so now.

I wish the minister would make some reference to two points which I have raised. One is the necessity of domicile under the present law and the absence of necessity of domicile, if I may put it in that way, under the proposed act. The other point was on the question of punishment. It is not clear to me that under the present law the death penalty in the case of conviction for treason is not imperative. I hope I have made my points clear.

Mr. ILSLEY: There are, I think, three reasons rather than two for enacting this capital offence section instead of relying on the section of the criminal code relating to treason.

In the first place the definition of treason in the criminal code is not very precise. I do not know that there is much of a definition in the code; I think that "treason" is left

to the common law definition and that one has to go to the cases to find out what is and what is not treason. I may be wrong, but that is my recollection. At any rate, the definition in section 3 of this bill is much more precise and certain than the definition in the code.

Second, with regard to the matter of allegiance, I have not understood that domicile is the test. I thought that residence was the test. There are authorities to the effect that a person residing here and adopting or accepting the protection of our laws and our institutions is said to owe allegiance to his majesty in such a way that he may be guilty of treason under the section of the code relating to treason. But I should be surprised to learn that his residence has to be domicile as well.

Mr. HANSON (York-Sunbury): I think the hon. gentleman is right.

Mr. ILSLEY: Perhaps the matter is not of great importance. At any rate persons coming into this country for a short time and going out again, perhaps entering it clandestinely, and doing so for the purpose of committing swift acts of sabotage, are not residents in such a way as to make it possible to say that they owe allegiance to his majesty, and thereby come within the provisions of the section of the code relating to treason. Now the provisions of this bill apply to those persons, and that, I think, is the second and the best reason for enacting this clause.

Finally, on the question of punishment, I may say that of the fifteen members of the special committee which dealt with the defence of Canada regulations, eleven were lawyers, and with the exception of one of these lawyer members all, I think, assumed that under the wording of the treason section relating to punishment—that is, that the accused if convicted shall be liable to suffer death—the judge had a discretion. The wording of the section is different from the wording of the section relating to murder. I have always thought, and I have never had a vestige of doubt about it, that there was in the criminal code only one offence mentioned for which the judge was obliged to sentence a person to death, and that was murder. I know I have heard that time after time, and I did not have any doubt about it. When the authorities were consulted it was found that the wording of the section relating to punishment for treason is different from the words used in England. Treason is treated in England the same as murder; at any rate that is my recollection—I will not be too definite about it. We were advised that it was by no means certain that an accused, upon being convicted of treason, must be sentenced to death by the presiding judge. The words are not words of obligation. The words are not, "shall suffer death" but "shall be liable to suffer death." The judge may sentence that person to death or may not, just as he wishes. He has no discretion to reduce the penalty to another form of punishment; therefore his option is to sentence the prisoner to death or to let him off altogether.

Mr. HANSON (York-Sunbury): Of course that would be a travesty of justice. I will tell the hon. gentleman that my authority for assuming all through these years that there was a liability to death and to nothing else is Doctor Richard Chapman Weldon, of Guelph, who was the dean of the Dalhousie law school which I attended and who was a member of the committee of this house who drew up the original criminal code. I can remember distinctly that forty years ago he told us that in the course of lectures on crime. I have no objection to the change, though I was surprised at the minister's statement in that regard. The language of the code is as the minister stated; the provisions for the punishment of murder are more mandatory. The only construction that could be taken out of subsection 2 of section 74 is that on conviction the accused must suffer death. However, it is purely an academic question; I will not pursue it further.

Mr. DUPUIS: In the committee we were unable to come to a decision on the point I am about to raise. I suggest that we should find a term that could be translated into French so that we could differentiate between the chapter in the criminal code which deals with treason and this Treachery Act. There is no difficulty in the English language. In the criminal code the chapter is headed "Treason". This bill is called "the Treachery Act". When you come to translate that into French, however, "treachery" has not the same meaning. The translator, in the copy of the bill before us, calls it "La loi concernant la trahison", and in section 1 it is called "loi sur la trahison". Consequently there may be a misunderstanding among lawyers in places where the matter is dealt with in the French language. I was trying to devise some means of facilitating the translation, and if I may be allowed, I suggest that we follow the English statute in this respect. The English statute is called The Treachery Act, 1940. In French it would be "La loi de trahison, 1940". That would be an advantage so far as the French translation is concerned.

Mr. CARDIN: I suggest to my hon. friend that there is a French equivalent of the word treachery—"traitrise".

Mr. HANSON (York-Sunbury): If my hon. friends are agreed, I am satisfied.

Mr. CARDIN: The actual translation in the French copy of the bill is: "Loi sur la trahison".

Section agreed to.

Section 2 agreed to.

On section 3—Death penalty for treachery.

Mr. CARDIN: It has been represented to me by the officers of the Department of Justice that in the law clerk's office the word "like" in line sixteen has been changed to the word "such". This would be in accordance with the English act. I therefore ask my colleague to move that this section be amended accordingly.

Mr. ILSLEY: I move that the word "such" be substituted for the word "like" in line 16.

Amendment agreed to.

Mr. HANSON (York-Sunbury): I have not examined the English act, but I suppose it carries the phrase "with intent to help the enemy"; that is, you have to prove guilty intent before you can convict?

Mr. ILSLEY: Yes.

Mr. HANSON (York-Sunbury): Is that ever omitted from any of these statutes? That is the difficulty in getting a conviction, as any man knows who has prosecuted under any statute that lays upon the prosecution the onus of proving intent. I would be willing to leave that out if it would strengthen the act and if it were considered necessary.

Mr. ILSLEY: It is too dangerous.

Mr. COLDWELL: I had hoped that some phraseology would be found, without conveying any idea that we did not desire to punish treachery to the utmost limit, to give the court an alternative to the death penalty. Under war conditions and in the excitement which is involved in a war, it is altogether likely that evidence may be taken which, upon maturer consideration, might not result in the laying of the major charge; because sections 3 and 4 are very much alike except to the degree, in the one instance, of actually assisting the armed forces of the enemy and, in the other, of interfering with the safety of the country and thereby assisting the enemy.

As members of the committee may remember, we thought that the words "liable to suffer death" instead of the words "shall suffer death" would meet the situation. I could not hear all the discussion that took place just now between the leader of the opposition and the Minister of Finance, but they were probably discussing that point. We were told, however, that the words "liable to suffer death" would have the same effect as the words "shall suffer death" and therefore the bill has been drafted in that way, because a large majority of the committee felt that the crime was sufficiently grave to warrant the imposition of the death penalty. I can conceive of instances in which that penalty might be justified. On the other hand I can conceive of many instances in which there might be an element of doubt. If a man has been executed there is no way of bringing him back to life, whereas if we kept him in prison for the rest of his days, after the war, on maturer consideration, we might find that there was some doubt and he might be permitted to live and even to resume his ordinary status in the country provided he was able subsequently to prove his innocence. I am not going to prolong the discussion; this has been the subject of a long inquiry by a committee and a longer debate in the house than was, I think, anticipated. I content myself with moving that the clause be amended by adding thereto the words: "or shall be liable to imprisonment for life."

I am quite aware of the fact that imprisonment for life does not mean altogether what it says, that a lesser sentence than life imprisonment may be imposed. But I believe that the alternative should at least be provided.

Mr. ILSLEY: This is the same question, as the hon. gentleman knows, that was discussed at length by the committee. I do not think my colleague the Minister of Justice would be prepared to accept that amendment. Certainly the overwhelming majority of the members of the committee would never forgive us if we did.

Mr. COLDWELL: I said that.

Mr. SLAGHT: Before the amendment is put, may I have a word? The committee will recognize that by section 7 the bill provides that the crown officer whose duty it is to draw a bill of indictment against any given prisoner is given full power to charge in the same indictment under three or even more separate counts: first, a charge under section 3, punishable only by death; next he may charge under another count an offence against section 4, punishable by up to life imprisonment, but under the provision of the code that may be graded down to even three months or three days. In addition to that, another count may be included charging an offence against the provisions of the defence of Canada regulations, which are not before us to-day but which hon. members

will know are offences of a much less serious nature than those outlined in either section 3 or section 4. Therefore, in a case where conduct is bad but the crown officer or the Minister of Justice or the attorney general of a province thinks that if a charge were laid only under the death penalty section, any jury would, on humane grounds, be inclined to convict, the other type of charge may be included.

Bearing that in mind, let me point out the safeguards which a man has before he could be hanged if charged under section 3 alone and found guilty. In the first place, the Attorney General of Canada, the Minister of Justice, must consent to his being indicted on such a charge. Next, he must or can be charged before a magistrate on a preliminary inquiry, just as in any ordinary trial, and the magistrate has power to refuse to commit him for trial. If the magistrate commits him for trial, the crown officer has then to draw up a bill of indictment and place it before the grand jury. If the grand jury feel that the facts do not warrant the charge, out it goes on that occasion. If it passes the grand jury, the accused is tried before a petit jury, in the ordinary course, and there he takes his chance of conviction or acquittal. If convicted, he has the right of appeal to the court of appeal of the province in which he resides, and that court of appeal, if an error has occurred, may reverse the verdict of guilty. If the provincial court of appeal confirms the verdict but there is a dissenting judgment by one judge, the accused may appeal to the Supreme Court of Canada to set aside the conviction, and after all that, if the conviction is still sustained, he has the right of approaching the crown for the exercise of the prerogative of clemency by the governor in council, and may present a petition for commutation of the death penalty to life sentence or a lesser penalty.

It seems to me that when the offence is of this nature and when conviction of guilt is dependent upon the crown proving intent of that kind, we have provided ample safeguards against miscarriage of justice.

Amendment (Mr. Coldwell) negatived on division.

Section as amended agreed to.

Section 4 agreed to.

On section 5—Prosecution, trial and punishment of offences.

Mr. HANSON (York-Sunbury): Why is it that the consent of the Attorney General of Canada only is required? I refer to subsection 2, which reads:

> No prosecution in respect of any offence against section 3 of this act shall be instituted . . . except by, or with the consent of, the Attorney General of Canada. . . .

Why should the attorney general of the province not be one of the parties who could give consent? I think that is important, for this reason: What is the institution of the prosecution? It is the laying of information, the basis of the whole jurisdiction. Anyone who has had anything to do with criminal law will agree with that primary principle, that unless the information is there, there is no basis of jurisdiction. If the matter has to go to the Attorney General of Canada, in a country as far-flung as this, there is the possibility of grave delay in instituting the prosecution. I see no harm at all in leaving it to the consent of the attorney general of any province. After all, while this is an offence against the state, under the theory of the administration of our criminal law the provinces are charged primarily with that administration. We make the law; they administer it. I am not going to offer any amendment if the ministers in charge desire that this power shall be limited to the consent of the Attorney General of Canada, but I point out that in a country of the size of Canada with the possibilities of delay in communications, with no prosecution being instituted without his consent there might be delays in instituting prosecution in a proper case. An attack, with which I disagree, was made here to-day on one of the attorneys general of the provinces. But I think the minister should give some explanation why this power is limited to the Attorney General of Canada.

Mr. ILSLEY: It is a very important offence, connected with the war; a capital offence.

Mr. HANSON (York-Sunbury): So is murder.

Mr. ILSLEY: Murder is not always connected with the war. This is in the nature of a political offence, and it was felt by the committee, I think rightly, that in regard to these capital offences under section 3 the Attorney General of Canada should be the one authority having the power to give consent to the institution of the prosecution.

Mr. HANSON (York-Sunbury): Of course, if Canada were a small country geographically, like England, I could understand that; but I point out that there is a distinction because of our geographical situation. However, I shall not press the matter. I think I have done my duty when I direct attention to what I consider a weakness in the bill.

Section agreed to.

Sections 6 to 9 inclusive agreed to.

On section 10—Arrest without warrant.

Mr. HANSON (York-Sunbury): This is an extension of the principle of the right of arrest without warrant, is it not? Does this principle appear anywhere in the criminal code; that is, whereby a peace officer may arrest without warrant, on reasonable grounds for suspecting? I tried to look it up hurriedly, but I did not have a chance to do so. I do not think there is any such provision, and it seems to me that this is quite an extension of the principle.

Mr. ILSLEY: There is a similar provision in the defence of Canada regulations, but this does go a little further than corresponding provisions of the criminal code.

Mr. HANSON (York-Sunbury): I feel sure that there never was authority in the criminal code for arresting a man without warrant, on mere suspicion.

Section agreed to.

Section 11 agreed to.

Schedule agreed to.

On the title:

Mr. SLAGHT: I should like to dissociate myself from the attack upon the attorney general of Ontario, lest that attack be understood as including generally the members of the committee.

Mr. COLDWELL: I had no intention of suggesting that I was doing other than expressing simply my own opinion.

Title agreed to.

Bill reported, read the third time and passed.

FARMERS' CREDITORS

AMENDMENT OF ARRANGEMENT ACT AS TO PROPOSALS FOR COMPOSITION, ETC., IN MANITOBA—MESSAGE FROM SENATE INSISTING ON AMENDMENTS

Mr. SPEAKER: I have the honour to inform the house that a message has been received from the senate acquainting this house that the senate doth insist on its amendments made to Bill No. 25, to amend the Farmers' Creditors Arrangement Act, 1934.

TARIFF BOARD

AMENDMENT OF ACT WITH RESPECT TO SALARY OF CHAIRMAN AND SUPERANNUATION PROVISION

Hon. J. L. ILSLEY (Minister of Finance) moved the second reading of Bill No. 114, to amend the Tariff Board Act.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Vien in the chair.

[Mr. R. B. Hanson.]

On section 1—Pensions.

Mr. ILSLEY: I promised the leader of the opposition (Mr. Hanson) or the hon. member for Renfrew South (Mr. McCann), or both, that I would give them some information when this bill was in committee. I was asked what Mr. McKinnon's pension would be if he elected to continue under the Civil Service Superannuation Act. I find that his pension, if he retires at the end of his term, will be $3,466.66 per annum. If he should continue beyond the end of the term, by re-entering the civil service or continuing as a member of the board by reappointment until the age of sixty-five, his pension at that age would be $4,385.66.

With regard to the point made by the hon. member for Renfrew South that a committee had recommended that no pensions in excess of $4,000 be paid under the Civil Service Superannuation Act, I find that the recommendation was to relate only to new contributors. Mr. McKinnon has been contributing to the fund for something over ten years. Even if that recommendation were accepted, it would not apply to him, because he is not a new contributor.

Mr. HANSON (York-Sunbury): In any event his superannuation would not be more than $4,000?

Mr. ILSLEY: Not if he retired at the end of his ten-year term.

Mr. HANSON (York-Sunbury): But if he went beyond that, he might go over $4,000?

Mr. ILSLEY: That is correct.

Mr. HANSON (York-Sunbury): In any event, as I understand it, he would not come within the recommendation made by the committee?

Mr. ILSLEY: That is correct.

Mr. HANSON (York-Sunbury): It might be appropriate at this time for me to make a statement with respect to the civil service. On Tuesday, July 16, during the course of the discussion in this house on unemployment insurance I made the following statement, which I quote from *Hansard* of that date at page 1655:

> I have always marvelled at the mentality of a man who wanted a government job, and I have advised many a young man to forget about it, to get out on his own, to solve the problems of existence for himself, and enjoy the happy state of security as the result of his own efforts. . . . That, to my mind, is the advice we ought to give the young men of this country who want a government job: Go on your own.

I have been amazed and, I may add, seriously disturbed, by the false interpretation placed upon these remarks by a large number of people, some of them in the civil service. In

some quarters my remarks have been construed as an attack upon members of the civil service. No thought was further from my mind. It may be that my form of expression was unhappy or misleading, but what I was endeavouring to do—I realize fully that I was undertaking a notoriously thankless and dangerous task—was to offer from my own experience and years a word of advice to the young people of this country. It has seemed to me that in recent years, due largely to unfortunate and deplorable conditions of unemployment, our young people have more and more come to lean upon other than their own efforts in achieving success in their life work. I was attempting—it may have been a clumsy attempt—to stir up that initiative, that go-ahead spirit and that independence which I know is only latent and by no means dead in the youth of Canada. In other words, if I may say so, I was giving a warning against an attitude of regarding government positions as a sort of refuge of the afflicted. There was no thought in my mind of those whose honourable and successful careers have been in the civil service.

May I be permitted to add that never, throughout what public service I have given, have I attacked in any way members of the civil service. It will perhaps be recalled that when I had the honour to preside over the Department of Trade and Commerce I made no changes in the staff of that department, nor was it necessary for me to do so. I was served faithfully and well, and I think I can say without fear of contradiction that I endeavoured always to accord fair and just treatment to the staff who served me. As a matter of fact, I did not bring in my own secretary, which I was entitled to do under the law and which practice many ministers follow. I was content to take a man from the department. I would not have it go out that I was making an attack upon anyone, but neither have I any apology to make for anything I said.

Section agreed to.

Section 2 agreed to.

Bill reported, read the third time and passed.

CANADIAN WHEAT BOARD ACT

AMENDMENTS ARISING OUT OF LOSS OF OVERSEAS MARKETS, EXISTING STOCKS AND HANDLING OF 1940 CROP—INITIAL PAYMENT OF 70 CENTS

The house resumed from Wednesday, July 24, consideration in committee of the following resolution—Mr. MacKinnon (Edmonton West)—Mr. Vien in the chair:

That it is expedient to bring in a measure to amend the Canadian Wheat Board Act to provide for exigencies arising from loss of overseas markets for wheat, from the large existing stocks of wheat in Canada, and from the problem of handling the 1940 wheat crop.

Mr. DOUGLAS (Weyburn): Mr. Chairman, I propose to leave the bulk of my remarks until the bill is before the house and we are in possession of all the details regarding the government's policy in this matter. I want, however, to say a word or two with reference to the statement made yesterday by the Minister of Trade and Commerce (Mr. MacKinnon). First of all, I want to protest against the lateness of the hour at which this matter is being submitted to the Canadian parliament. One of the Ottawa papers carried a news item yesterday to the effect that wheat had been delivered last Tuesday to some Alberta elevator. Here it is July 25; we have wheat coming into our elevators and we are only getting an inkling of what the government's policy is with reference to the marketing of the 1940 crop.

I want to protest against the fact that the government have not seen fit to carry out the promise which they made to the Canadian people last winter to appoint an advisory committee to the wheat board. In his statement yesterday the minister said that the personnel of the advisory committee to assist the Canadian wheat board would be announced shortly. Apparently it is to be announced after the policy has been formulated, after the members of the wheat board have been in Ottawa for some days or perhaps a week in conference with the government. When the personnel of this committee is announced they will have nothing left about which to advise. There was no reason why this committee could not have been appointed immediately after the election. The Minister of Agriculture (Mr. Gardiner) and other members of the government announced last February and March that, if elected, the government would appoint an advisory committee to the wheat board with producer representation. They did not say that this committee would be appointed after the wheat policy had been formulated and after the wheat crop had begun to move into the elevators. I consider this failure to keep faith with the Canadian people a definite betrayal of the trust which was reposed in the government.

Mr. ILSLEY: Is it the understanding of the hon. gentleman that this advisory council or committee was to advise on amendments to the act? Was it not to advise on the policy to be followed with regard to selling or not selling wheat from time to time?

Mr. DOUGLAS (Weyburn): I understand the Canadian Wheat Board Act to state that the purpose of the advisory committee is to

help in formulating a policy with respect to the marketing of wheat. The legislation now being brought down has to do with the marketing of that wheat. Once this legislation has been brought down, the wheat policy is more or less fixed for the crop year 1940. If the producers were to have any part in formulating this policy they should have been acting in an advisory capacity to the wheat board for the past six weeks or two months.

I want to express my regret that the government have not seen fit to comply with the requests repeatedly made by opposition groups in this house that the Winnipeg grain exchange be closed for the duration of the war. The minister said yesterday:

> At the present time the government has decided not to request closure of this market. This decision was made after consultation with the cereals import committee of the United Kingdom Ministry of Food who strongly recommend that the market be left open.

I suggest that responsibility in this matter cannot be passed on to anyone else. The Canadian government must decide whether or not men are to be allowed to speculate in connection with a product so vital to a great part of western Canada. This responsibility cannot be passed on to the cereals import committee or anyone else.

While I am speaking of the grain exchange may I remind the committee that last year this house, on the eve of a general election, passed an act for the supervision of the Winnipeg grain exchange, and a supervisor was to be appointed. Why has that legislation never been implemented? Why has that supervisor never been appointed? Was it merely a grand flourish on the eve of an election, or did the government really intend to implement that legislation? If they did, why have they not done so? Surely we should have some light thrown on that when the government bring down their bill.

I notice that the minister yesterday made a statement with reference to the 1939 wheat crop interim payment which the Minister of Agriculture (Mr. Gardiner) had recommended to the government for consideration. The minister's statement, which is interesting, is as follows:

> Provision is also being made to authorize an interim payment on producers' participation certificates, at a time when such payment cannot possibly result in a loss to the board.

Of course that is not the proviso which was added to the statement that was made last year during the last election campaign. The impression that went out then, certainly in Saskatchewan, was to the effect that there would be an interim payment on the 1939 participation certificates.

Mr. CRERAR: Does my hon. friend favour providing for an interim payment where it might result in a loss to the treasury?

Mr. DOUGLAS (Weyburn): I am not going to take seriously a question like that from the minister.

Mr. ROSS (Moose Jaw): Read the statement that the Minister of Agriculture made.

Mr. DOUGLAS (Weyburn): The Minister of Mines and Resources knows perfectly well that no person in his right senses is going to suggest that such a payment should be made when it will result in a loss. The minister also knows that the act provides that no payment can be made until all the crop has been disposed of, all the wheat sold and all the money received for it. But the impression that went out during the election campaign, and not just to the people who were listening to the Minister of Agriculture but to the newspapers, was that provision would be made for an interim payment before all the wheat had been sold, before the government had a guarantee that there would be no loss. The Minister of Mines and Resources need not shake his head. I have quoted before the statement which the Minister of Agriculture made and I quote it again. This is from the Saskatoon *Star-Phoenix* of Thursday, March, 21:

> Wilkie, March 21—Definite promise of amending legislation to provide for a 10 or 12 cent interim payment on the current year's wheat crop was made here Wednesday afternoon by Hon. J. G. Gardiner. The Minister of Agriculture declared that if the King administration was returned to power the present bill would be changed so that a payment might be made as soon as possible.

Mr. MacKINNON (Edmonton West): I think the Minister of Agriculture has denied that statement.

Mr. DOUGLAS (Weyburn): I was just going to say that. He said that what he said was that he would recommend it, but not that he would recommend that a payment be made when it was absolutely certain there would be no loss. In that event there would be no need to change the act in that respect at all because it provides now that payment shall be made when all the wheat is sold and it is known there is not going to be any loss.

I think the minister is to be commended for removing the 5,000 bushel limitation. That was a difficult clause to enforce, and I have felt increasingly that it was an unfair feature.

The price is to remain the same, 70 cents, No. 1 northern, basis Fort William. I know the government have a problem and a very definite one in trying to dispose of this wheat;

yet the fact remains, and we must face it, that farmers cannot grow wheat under present economic conditions for 70 cents a bushel, basis Fort William.

Mr. CRERAR: That is not right.

Mr. DOUGLAS (Weyburn): The minister says, that is not the fact, but the Dominion Bureau of Statistics shows what price the farmers have received for their wheat over a period of years. From 1930 to 1938, a period which includes the depression years, the farmer received 56 cents a bushel. The year before last, 1938-39, the farmer received 59 cents a bushel, and last year, 49 cents, the lowest yet, for average grade at point of production. The bureau of statistics shows that the 30-year average wheat price has been 93¼ cents a bushel at the point of production. With costs on the upward trend the western farmer is facing a financial loss with wheat at 49 cents a bushel.

Mr. McNEVIN: Is it not true that the 30-year average price includes the high-price war years?

Mr. DOUGLAS (Weyburn): Yes, and the 1930-38 average price includes the worst depression years, the average price in that period being 56 cents. Here we are with prices rising on almost everything the farmer has to buy, and a 10 per cent duty now placed on goods coming in from the United States, and the farmer is expected to produce at 49 cents a bushel, average grade at point of production. I say it cannot be done. It can be done perhaps by a small select group of farmers who have large mechanized units, a man with a two-section farm highly mechanized, but according to Professor Hope that group comprises only about one per cent of the farmers in Saskatchewan. The large farmers can perhaps produce economically at that figure; but for the small farmer, the man who makes a home of his farm and is running not a wheat factory but a small farm of a quarter or half section, farming with horses and partly with tractors, it is going to be increasingly impossible to produce at 49 cents a bushel, and someone near me suggests it is going to be even worse for the mixed farmer.

The government ought to give consideration to the possibility of fixing a price commensurate with the cost of production for the first 1,000 or 2,000 bushels, and then tapering off the price as larger quantities are delivered. Otherwise the great mass of farmers who operate small farms are not going to be able to farm economically at this price.

There are one or two matters upon which I hope the minister will enlighten the committee, either on the resolution or when we come to the bill. In his statement yesterday, speaking of the delivery of wheat to the wheat board, he said:

> This plan will enable every producer to deliver a portion of his crop at the outset. The amount to be delivered will be based on the total available supplies of wheat and the available storage space. As the season progresses this quota will be advanced as exports and other outlets ease the storage situation. In brief, the plan is to use all storage space, country and terminal, east and west to the best advantage of all producers.
>
> For that portion of the crop which cannot be accepted during the fall months the government recommends that an allowance be made to the producer to compensate him for the storing of wheat on his own farm.

I think that is an excellent suggestion, but we need to know one or two things. We ought to know first of all what the farmer will receive for that portion of his wheat which he does not deliver to the wheat board in the fall. The minister said that the farmer will be compensated for storage. But will the government give him an advance on that wheat? Will they buy it outright and the farmer store it on his farm for the board? Most of these farmers, unless the initial amount of wheat they are allowed to sell to the board is fairly large, will not have sufficient cash to carry on their operations. I ask the minister to tell us now or later how the financing will be done. Will the farmer who keeps his wheat on his farm get an advance on it, or will he be paid outright for it and receive a storage allowance?

Mr. CRERAR: Would my hon. friend recommend that that be done?

Mr. DOUGLAS (Weyburn): Recommend that what be done?

Mr. CRERAR: Would my hon. friend recommend that the government buy the grain outright and store it on the farm?

Mr. DOUGLAS (Weyburn): No, but what the government could do is pay a substantial advance.

Mr. CRERAR: I am asking what my hon. friend would recommend.

Mr. DOUGLAS (Weyburn): I am recommending to the minister that a substantial advance be made to the farmer, sufficient to enable him to finance. That is, if he is going to be allowed to sell only a certain amount of wheat in the fall, and he has to carry the rest, he can carry it only if there is a sufficient cash advancement to enable him to carry on his fall operations, be ready for his spring operations, and provide for his family in the winter. Is the Minister of

Mines and Resources opposed to that? The minister is better at posing questions than answering them.

Mr. CRERAR: I think, if you ask me, the suggestion is moonshine.

Mr. DOUGLAS (Weyburn): Then it ought to be incorporated in the government policy. I can assure the minister that it will be quite at home there.

Mr. MacNICOL: The hon. member must be Irish.

Mr. DOUGLAS (Weyburn): The next problem which arises in this connection is the question of storage facilities on the farm. As hon. members, particularly those from the west, know very well, the average farmer has not many storage facilities. His habit increasingly has been to draw wheat straight to the elevator. Some farmers, if they have much crop, will have to provide storage facilities by building granaries. That means buying lumber. That means getting credit. Has the government in mind any means by which credit could be extended, by which arrangements could be made with financial institutions or with municipalities to enable the farmers to build granaries on their farms? The average farmer is not in a position to lay out a large sum of money in a capital expenditure to build granaries to store this wheat on his farm.

That raises another question. If the farmer is not going to be allowed to deliver all his wheat to the wheat board and sell it outright, but has himself to carry part of the load, some arrangement will have to be made by which he can deal with his creditors. What arrangement will or can be made with the various debt adjustment bodies, or through the banks by extending credit, to see to it that when the farmer's creditors come around they cannot seize his machinery, or to ensure that interest charges will not be piling up? We must provide that the wheat which he is storing for the government and for the convenience of this country shall be sufficient credit to warrant steps being taken so that his creditors will not be allowed to harass him unduly.

I should like to put to the minister one other question, upon which he might give us some information either now or when the bill is introduced, namely, what provision is to be made with reference to coarse grain? In the west there are areas where the people depend largely on coarse grains. These are to be found particularly in the north, where a great deal of wheat is not grown. Are the inoperative clauses in the Canadian Wheat Board Act to be brought into operation so as to allow the board to take delivery of coarse grains? What is to be done about the storage of coarse grain? Is the valuable space in the terminals and the large elevators to be used for this purpose or is this grain to be kept on the farms too, and, if so, under what plan? One of the tragedies of the coarse grain situation is that in the fall the price is scandalously low. It always increases from 60 to 80 per cent in the spring when the farms are being seeded. In my own constituency the price of oats rose 20 cents a bushel from last fall to this spring. The price of barley rose almost as atrociously. Does the government propose to use the facilities of the wheat board in order that farmers may not be selling barley, rye and oats this fall at scandalously low prices and then other farmers be compelled to pay fairly high prices next spring when they go to buy seed? I wish the government would give us some information about what they propose to do. I urge upon the minister and the government that it will not do to leave this matter in abeyance. The situation in western Canada is growing steadily worse. Prices are rising almost daily, but prices of farm commodities in some instances are dropping, in other instances are more or less stationary. These people are living off capital or reducing their standard of living—

Mr. HANSON (York-Sunbury): Or going into debt.

Mr. DOUGLAS (Weyburn): —or going further into debt. This situation cannot continue.

I sympathize with the minister. I know this is one of the most serious and difficult problems that faces any public man in Canada. We are not indulging in merely carping criticism about it. We suggest that the government must take courageous action in this matter. The farmer will have to be helped from two sides. On the one side, it will be necessary to take steps to ensure that the price he gets is as fair as it is possible to make it, to see to it that other people are not gambling in his product and making profit out of his loss; on the other side, he must be helped to reduce his costs of production, by keeping at a fair level the prices of the commodities he has to buy, and by seeing to it that, during this period when he is helping to carry the load for Canada, his creditors are not allowed unduly to harass and take advantage of him.

As I said earlier in the session, the wheat growers are storing up in Canada one of the greatest natural assets in the world, something which will go far towards feeding millions of people who within the next few months or years may be facing starvation.

No country could have a better potential asset than these stores of wheat. But in the meantime we may have to go through a difficult period, and we should not ask the farmer to carry the whole load. He is willing to do his share. In days gone by, he has done more than his share, by taking the greater part of the burden of the depression. He should not be required to accept all the burden of the economic dislocation contingent upon the war.

Mr. ROSS (Souris): Mr. Chairman, like the previous speaker I am disappointed that we have had to wait until this late date for a statement by the government on a matter of such importance as that of wheat in this country. In the minister's statement yesterday he pointed out that there is now estimated to be in sight a crop of over 400,000,000 bushels, which will be harvested off a seeded acreage of some 28,000,000 acres. If that be so, which I rather doubt—I believe that estimate will be greatly reduced, due to certain climatic conditions at present taking place throughout the west—most certainly it will create a difficult marketing problem. As was well pointed out by the minister, we have at present available storage space for about 150,000,000 to 160,000,000 bushels of wheat.

It may not be generally realized that there are on the prairies 290,000 farmers. Their crop must be harvested, and a quota must be set up for marketing this crop. On these 290,000 farms it would be approximately 500 bushels per farm. The minister stated that the producer will be paid 70 cents a bushel, basis No. 1 Fort William. That will net the farmer approximately 52 cents a bushel. By ready calculation hon. members will see that the farmer will receive the sum of $260, out of which must be paid his harvesting expenses, and he must also maintain his family through the winter and pay his taxes out of that meagre sum. As the hon. member for Weyburn (Mr. Douglas) pointed out, the first charge must be the expenses of the family in producing the crop, because they must get their livelihood. That is the prior claim, and there will be considerable difficulty between the farmer and his creditors during the coming season.

A large percentage of the farmers on the prairies to-day are tenant farmers. I might give a few statistics with regard to my own province, Manitoba, given by Premier Bracken. There are in that province 57,000 farmers of whom one-third work mortgaged land. The land mortgages in the province total $60,000,000, and the average price of wheat in the last ten years, with the exception of two, has been about one-half of what it was ten years ago. The income of the Manitoba farmers, he said, had been reduced by about $250,000,000. It used to be that a bin full of wheat was considered money in the bank for the farmers of western Canada; it was as good as gold. That is not so to-day. The farmers wheat dollar, according to reports published by the Searle Grain Company, is worth only 57 cents to-day. I have here a short article issued on July 18 of this year with reference to the farmer's wheat dollar. Let me quote:

> The Searle Index of the price of "Things farmers buy" (147 items), now stands at 134, 1913-14 equals 100, which means that these things cost farmers in the west at the present time 34 per cent more than they did in 1914 before the great war. The price of wheat—No. 1 northern—as of June 18, basis the open market price, is now 23 per cent lower than it was in 1913-14. This means therefore that a bushel of wheat in western Canada now has a purchasing power in relation to "The things farmers buy" of 57 per cent in comparison with the purchasing power of 100 that it had before the war.

As to the seriousness of the situation which has been pointed out by members from Saskatchewan, there was held in that province during the past month a conference of pool representatives to discuss the marketing of grain, and as a result of this conference they are urging upon the government of Saskatchewan the passing of a moratorium. The resolution reads:

> Whereas the necessity for a full contribution by western agriculture to the Canadian effort toward successful prosecution of the war should be fully realized and whereas this effort will be seriously hampered unless the producers are permitted to retain some adequate returns from their labours;
>
> Be it resolved that we request our provincial government to declare a moratorium for the duration of the war or until farm products reach a parity price with other commodities.

Those attending the conference included A. D. Sproule, first vice-president of the Saskatchewan wheat pool, who reviewed problems facing agriculture in the west and said their solution would mean the solution of problems of the entire Canadian agricultural community of 5,000,000 persons.

The minister yesterday said that there would be a processing tax of 15 cents a bushel for domestic consumption to take effect in Canada immediately. He said that this should not alter the price of bread to the consumer on that basis. I know there will be some argument as to whether that will be the actual effect, but if it does alter the price I am satisfied that it will not change the price beyond one-quarter of a cent per pound of bread at the outside. This matter was thoroughly discussed at a meeting which was held in Winnipeg to consider the marketing

of farm products during the month of December, 1938, and this very item was discussed at some length at that time. Mr. G. E. Morris, vice-president of the Ogilvie Milling company, pointed out that the baker got 270 pounds of bread out of a 196-pound barrel of flour. Therefore, if the pound loaf of bread is reduced by one cent, and if that reduction is borne by the flour, flour must come down of $2.70 a barrel and wheat must come down approximately 60 cents a bushel, which would accordingly be one cent a pound on bread. Other people who have made a study of this question in Ottawa are pointing out that if wheat were increased 60 cents a bushel, it would increase the pound loaf of bread by only one cent, and these arguments are well founded.

The late Mr. James Richardson, at this same discussion in Winnipeg, pointed out that the price of wheat made little difference in the price of the pound loaf of bread for the reason that there were many other factors, such as lard, butter, milk, yeast, shortening and so on, which had to be taken into consideration; and to-day the much discussed vegetable oils will enter into the question. It was also pointed out by Mr. Gourlay, of Dauphin, that on December 16 of the same year, in the town of Dauphin, the market price was 64 cents a bushel at the elevator, while on March 22, 1935, the market price was $1.34 a bushel at the same elevator, and that on both occasions over the counter local bread sold at 7 cents per pound loaf.

During the past week officials representing the western union of municipalities have been in Ottawa to interview the wheat committee concerning this problem. The officials representing that western union are: Paul Farnells president of the Alberta union; J. G. Knox, president of the Saskatchewan union, and myself as president of the Manitoba union. We had a most courteous hearing from the Minister of Trade and Commerce and from other members of the committee, but I regret to say that we are not over hopeful of getting a satisfactory solution of our wheat problems at this time. I am satisfied that the Minister of Trade and Commerce is very much concerned about this matter, and if we did not obtain more favourable results the fault is not his. I have no doubt about that.

Many people may wonder why the officials of the western municipal union should be so concerned about the marketing of wheat at this time. I would point out that the municipal governments are closest to the people of the country and therefore they are exercised over the problem. They have to consider the general welfare of the people and the prospects for their livelihood. They are also responsible to a great extent for the financing of education and the hospitalization facilities in their particular areas, and that is a matter of great importance. These services must be paid for out of municipal taxation. In this connection, I do not know whether we shall collect taxes with the marketing problem as I see it at the present time.

The success of any nation certainly depends upon the health and education of its people and therefore these municipal officials are vitally concerned at this moment. In the brief which they presented to the committee they asked first of all that the Canadian wheat board should handle the entire marketing of the 1940 crop, and also that the initial payment be at least 70 cents a bushel, the right being reserved to press for a fair and equitable price on a parity basis at a later date. As to parity prices, I put forward an argument in which I gave many statistics, which appeared in the *Hansard* report of the speech I made on the budget on June 27 wherein I discussed matters pertaining to this question, to show what the price ought to be.

Moreover, while speaking of a parity price I might point out that Mr. R. M. Evans, who is associated with the soil conservation board of the United States, attending this marketing conference in Winnipeg in December, 1938, stated that it was recognized by authorities in the United States that a parity price in the United States at that time was $1.11, and I am satisfied that it has increased since then. They also asked for the establishment of an advisory committee to this wheat board, with adequate producer representation; also that a fair and reasonable rate be paid for farm storage, comparable with the cost of carrying such wheat in public storage or in the elevator. It may be that the price which will be paid for storage in elevators will be reduced in comparison to what we have paid in the past, and if a farmer is paid on that basis it should be satisfactory. They also asked for a policy for the establishment of a minimum price for wheat sold for home consumption in Canada at $1 a bushel.

Hon. members will realize that the 15 cents a bushel processing tax announced by the minister yesterday would probably mean a price of 85 cents a bushel for consumption. I think that at the outside we could not count on more than 45 million bushels, which would be approximately ten per cent of the anticipated crop this year, being handled in that manner. On a parity price basis, we think that processing tax, instead of being 15 cents, would require to be from 35 to 55 cents, which might increase the cost of bread three-quarters of a cent a pound. We also

suggest a quota basis of delivery to elevators be provided, in order that farmers might have an opportunity of immediately marketing some of their crop as it is harvested. We also pointed out that if it were necessary there are already set up the municipal units, and the secretary-treasurers might be utilized in the matter of issuing certificates and regulating that quota delivery. They have all the necessary information at their disposal and are in a much better position than anyone else to make a quick check on the acreage and handle matters of that kind on behalf of the farmers.

The problem of financing the coming crop is of major importance, especially if we harvest the anticipated four hundred million bushels. In the past the producer was required to deliver his crop in public storage before realizing upon it by way of sale or advance on the purchase price. That will not be possible this fall if, as I have said, we harvest this anticipated crop. Therefore we have recommended that an advance be made against this crop in storage on the farm. I know it has been pointed out by the Minister of Mines and Resources, who, however, I think is away out, that it is all moonshine and so on; but if what we recommend is not done, and we harvest this anticipated crop, we shall have all sorts of difficulties, just as bad as moonshine probably, throughout the west this fall in providing the necessaries of life for these people and maintaining the standard of education and hospitalization which is essential. Therefore the committee advocated a system of loans or advances to these people provided it is not found feasible to market a fairly large percentage of their crop at once.

It was further suggested that consideration is required with respect to coarse grain, in order, as has already been pointed out, to relieve the western situation and provide eastern and Pacific coast farmers with cheaper feed than the grain hitherto imported from other countries. Greater use should be made of oats and barley grown in the prairie provinces and this should be facilitated by reduced freight rates. Our provincial departments of agriculture might do a great deal to help. I was astounded on hearing the hon. member for Royal the other evening speaking of the cost of these products produced by us in the west to the dairy farmers in his province. This is chiefly due to freight rates, and in that respect a great deal could be done which would be of mutual benefit.

One question gives me great concern at this time. When a business man figures that he cannot make a profit, it is customary for him to quit business. The farmers of the west have been operating on that basis for many years. I ask hon. members this; If the farmers in general, who are operating at an immense loss, decided to quit operating, would they be termed anything but traitors to Canada during this war? I realize that we have difficulties in legislating for a country so large as Canada. In my opinion it should be the duty of all hon. members to travel throughout this country from coast to coast in order to become acquainted with each other's problems and be in a position to view those problems from a national point of view. In war time the stability and solidarity of the home front is of no less importance than the war front, and it is something which we should consider at this time even if doing so involves some departure from the orthodox financial beliefs of the past. I trust this wheat committee, when their bill is brought down, will be able to go a little further perhaps than has been anticipated up to the present time in order to cope with what appears to be a very serious situation now facing us.

Progress reported.

UNEMPLOYMENT INSURANCE

PRESENTATION OF SECOND REPORT OF SPECIAL COMMITTEE ON BILL 98

Second report of the special committee on Bill No. 98, respecting unemployment insurance—Mr. McLarty.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

CANADIAN WHEAT BOARD ACT

AMENDMENTS ARISING OUT OF LOSS OF OVERSEAS MARKET, EXISTING STOCKS AND HANDLING OF 1940 CROP—INITIAL PAYMENT OF 70 CENTS

The house resumed consideration in committee of the following resolution—Mr. MacKinnon (Edmonton West)—Mr. Fournier (Hull) in the chair:

That it is expedient to bring in a measure to amend the Canadian Wheat Board Act to provide for exigencies arising from loss of overseas markets for wheat, from the large existing stocks of wheat in Canada, and from the problem of handling the 1940 wheat crop.

Mr. PERLEY: At the outset, Mr. Chairman, I desire to express my disappointment because of the fact that this house has been in session for over two months and this measure is brought in only now. I suppose we shall be expected to pass it in a day or two, since I believe an effort is being made to

prorogue by the first of next week. On the other hand, I take great satisfaction from the fact that the minister has accepted and embodied in the bill to be based on the resolution four or five policies or suggestions that I have advocated on the floor of this house, not only during this session but in other sessions, going back as far as 1934 and 1935.

I am glad to see the principle adopted of paying the farmer for storing his grain on the farm. The minister's statement would indicate that this storage will be paid on the basis of the period the wheat is held and, I assume, at so much a bushel. As hon. members will recall, on various occasions I have suggested that the rate should be one cent per bushel per month, which could be added to the fixed price.

The government has also adopted the principle of establishing a domestic price for grain in Canada. That has been done by the imposition of a processing tax of 15 cents a bushel on all grain going into domestic consumption. On many occasions I have suggested that we should have a fixed price of at least $1.25 a bushel on grain consumed in Canada.

I also understand from the minister's statement that we are to put into effect the principle of a quota system in connection with deliveries to the market. Perhaps I may refer to that more particularly a little later, but I have been offering this suggestion since 1935. I would refer hon. members to *Hansard* for that year, at pages 375 and 376, where I took about a page and a half to outline in detail a system of controlling deliveries to the market under permits.

Then we were told that an advisory committee is to be appointed, which I was very glad to hear, and that there is to be provision for an interim payment to be made when the board sees fit.

I must say that I am not satisfied with regard to some features of this legislation. In the first place I maintain that the 70 cent fixed price is not large enough. It should be at least 75 cents, and I think the government could have gone to 80 cents under present conditions. Neither am I satisfied with the storage paid the elevators. I think the minister should have stated definitely what arrangement or agreement will be made in that regard. My suggestion would be that this storage should be cut to at least a half cent. Perhaps I may refer to that also a little later. We are told that the grain exchange is not to be closed. I have advocated the closing of the grain exchange during this period, and later in my remarks I shall present what I think is a good argument in favour of that step being taken. I also believe the board could have been given more powers, and I shall deal with that in more detail in a moment.

We have not seen the bill as yet, but from the minister's statement we have a pretty good idea what will be in it. The minister did not give us very much new information; we already knew practically everything he said in his announcement. Certainly no information has been given in respect of many important matters. That is the only statement we have had this session, but I would ask the minister and hon. members whether, from that statement, anyone learned anything about the operations of the wheat board. Who knows the present financial position of the board; how much grain they are holding, either on option or as cash grain; in what position that grain may be; what the board paid for the grain; what they have paid with respect to storage; to whom it has been paid, and so on? Who knows anything about it? There is nothing in the statement that would give us any information. Certainly we do not know who directs the whole selling policy of the board. Members of the board have been in Ottawa for practically three weeks, I think, and there have been some hole-in-the-corner meetings, to which I object. I know they have been meeting western Liberal members. I know they have met Liberal members in their private rooms.

Mr. MacKINNON (Edmonton West): And they met the hon. member.

Mr. PERLEY: They have not met with me at all.

Mr. MacKINNON (Edmonton West): Oh, yes, they have.

Mr. PERLEY: I met them once. I was invited to a general meeting with the wheat board and the board of grain commissioners, which meeting was attended by all the western members and a great many of the eastern members as well. What information could we get at such a meeting in an hour, with fifty men ready to ask questions? We all know what a farce it was. I have asked questions on the floor of this house in an endeavour to get information. I have placed questions on the order paper, and I must say that the answers I have received have been a joke. Certainly they displayed ignorance of the situation or a deliberate attempt to evade the question.

In his statement yesterday the minister gave various estimates as of July 31, 1940. He stated there would be a carryover of about 290,000,000 bushels, of which about 270,000,000

bushels would be in Canada. The crop is estimated at from 350,000,000 to 400,000,000 bushels. Our total storage capacity is 425,000,000 bushels, and our net storage, after allowing for a 10 per cent operating capacity, is about 382,000,000 bushels, with some possibility of storing another 20,000,000 bushels in the United States. That leaves storage available in Canada for approximately 160,000,000 bushels. That can be improved a little by allowing about 100,000,000 bushels for the domestic consumption of the coming crop. A certain portion of the crop never reaches market; it is used for seed and other purposes. That will relieve the situation a little.

In my opinion the present situation is similar to the one we had in 1935, when on December 1 we had practically 365,000,000 bushels of wheat on hand. There were 155,000,000 bushels of the 1935 crop and 205,000,000 bushels which had been taken over from Wheat Producers Limited. There was still the remainder of the 1935 crop to come. So I ask, why all this excitement, why all this delay in bringing down this measure? Why make so much ado about the situation in western Canada? I well remember in 1934 and 1935 when we had a considerable quantity of wheat accumulate. I remember the howl that went up from this house, particularly from the hon. member for Wood Mountain (Mr. Donnelly) and the former members, Mr. Vallance and Mr. McIntosh. I recall that when the 1935 wheat board bill was being discussed, the present Minister of National Defence (Mr. Ralston) moved an amendment that the bill be not operative after August 16, 1936. I recall the criticism which was offered because we had not sold wheat, and all that sort of thing.

I would say that we have been quite generous to the present minister in not pressing for more information. I sympathize with him because he has a real job on his hands and he is new to the department. Had he been more experienced he certainly would have been asked to furnish more material. We should have had a complete report of the operations of the board up to date, similar to what was furnished in 1936. I have in my desk copies of the reports of the Canadian wheat board. The first was issued in 1935-1936. It sets out the amount of wheat received, the amount carried over from the 1935 crop, the amount taken over from Mr. McFarland, the prices at which all grades were sold, and all that sort of thing; it was quite a detailed report. We have not had such a report since 1936, and I think it is due to this parliament. The minister could have made an interim report, so to speak, because he gets a report every Friday night from the board.

The war is not the cause of Canada's wheat debacle; it is the policy of the wheat board and the failure of the government to carry on businesslike sales operations. They did not exert the pressure they should have last fall in negotiating the deal with the British government. It is the government's responsibility, and I think we should note that they have not been aggressive enough in their selling policy.

Mr. McNEVIN: Does the hon. member not admit that the market is much curtailed?

Mr. PERLEY: We know that, but we know also, from the figures I shall give in a few minutes, that they could have sold even more this year. In order to substantiate what I have said, I should like to quote from a statement made by Mr. Sanford Evans, who has been writing reports on the grain situation for some time. He made a statement in 1938 and another one in 1939, which I believe I quoted on the floor of this house. He said that there was not a single act of the present wheat board which could be interpreted as an act to resist a price decline. Yes, the minister may look up; they are up there in the gallery and I see them. In twenty minutes I could name fifty men who have been associated with the grain business in western Canada and who could do a better job. As I said, the war is not the cause, and to blame the war is only a feeble alibi. In the season 1938-39 the board exported only 166,000,000 bushels of wheat at the low average price of 60 cents.

Mr. CRUICKSHANK: May I ask the hon. member who is up there?

Mr. PERLEY: The hon. member ought to know. I see them. I did not say who was up there. The minister looked up and smiled at someone in the gallery.

The CHAIRMAN: The hon. member is experienced enough as a parliamentarian to know that he should not make any reference to the galleries.

Mr. PERLEY: I bow to your ruling, Mr. Chairman, and I hope the hon. member will refrain from pressing me to say who happens to be in the gallery. It is a feeble alibi to say that the war is the cause of our trouble. The board sold 166,000,000 bushels in 1938-39 at the low average price of 60 cents. By August 31 of 1939 there was a carryover of 102,000,000 bushels. The war has not lessened Canada's exports. Prior to July 15 of

this year we exported 190,000,000 bushels of wheat and wheat flour, which was 25,000,000 bushels more than the 1938-39 exports. The government and those in charge of Canada's wheat marketing are doing all they can at the present time to make the farmers and the public believe that the present critical situation is caused by the war. That is not the fact.

Western Canada wants a proper board, with an advisory committee upon which the producers are represented. The original act provides for a board of seven, with four producers. Before this legislation passes, I think the minister should indicate who the members of this committee are going to be and how soon they will be on the job. If we are in a critical position we should certainly have the benefit of the advice of the best men available. In his statement the minister said that the cereals import committee recommended that the exchange remain open. Did they demand or ask for that last September when they first came over? I am informed that they demanded that it be closed. I understand that there was an arrangement made by the western representatives of the grain trade with the wheat committee of the cabinet that the grain exchange would not be closed until wheat went to around $1.25 a bushel, which it was expected to do at that time.

What service does the exchange render that the board could not render, except possibly the physical handling of the grain in the elevators? The exchange is not functioning now, and I understand it has asked the government to provide some means to facilitate the hedging of grain. I would refer to the report of the Turgeon commission in which the chairman stated that only a board could function in an emergency. Surely we are in an emergency at the present time. Even with the many inquiries which we have had into the grain business it has never been proved conclusively that an open market is necessary. It is certainly not necessary in an emergency.

We were in difficulty in 1935 with respect to the handling of wheat. We were in difficulty before this government came into power. I recall when Mr. McFarland used to come down here to consult with us. I happened to be called in on an occasion or two, and at that time the wheat board act of 1935, which we are amending to-night, was introduced. May I say that at that time I was pressing for a board similar to what we have now. I prepared a memorandum for my chief, Mr. Bennett, at that time, and I should like to refer briefly to one or two things I set out in that memorandum, which was prepared before the Canadian Wheat Board Act was thought of. We knew there was a demand for a change after the experience we had had from 1932 to 1935. We knew that we could not continue as we had been going on, and that something of the nature of the wheat board was wanted. I set out in the memorandum that the physical handling of the grain and the marketing of western Canada's wheat crop were principal factors in the economic life of the Canadian producer and of every Canadian citizen. I think we all are agreed on that.

Prior to the great war the problem was comparatively simple. There was no great difficulty in finding markets for our good western Canada wheat. Although prices were low at times, the cost of production was also low and prices of the products of industry were low. There were periods of low prices during which the farmers were more or less prosperous despite many handicaps. But the war of 1914-1918 ushered in a new era of production expansion, which became more marked following the war. Here may I remind the committee that the expansion in the production of grain in western Canada following the last war was undertaken as a patriotic effort. The farmers of the west were asked to increase production, and we have been in difficulties practically ever since.

Early in 1917 the open market system which was then in vogue became inadequate and government supervision became necessary. I am not going into details with respect to that; I refer to it just in passing. Then came the board of supervisors, and then the first Canadian wheat board. This board, which came into existence in 1919, was given large powers, and it functioned admirably. However, there was much dissatisfaction in the grain trade with the open market and the futures market, and in 1923 the pool system came into being. We know the history of that pretty well, so I shall not go into details. Then in 1930 we had a surplus production, and owing to currency fluctuations there was a violent downward drop in the world price for wheat, and both the open market and the pool system demonstrated their inadequacy. That is the statement I made in pressing my case before Mr. Bennett.

Mr. CRERAR: On what date was the memorandum submitted to Mr. Bennett?

Mr. PERLEY: Before the wheat board act was introduced or even thought of. It was about May 1, 1935.

An hon. MEMBER: With an election coming on.

Mr. PERLEY: No; there was no election in sight, none as near as we thought there was last fall. I am referring to the period when the bottom dropped out of the market. It was in the days when Mr. Dunning, then finance minister, made the statement in the house that our markets for wheat were practically gone. The only market remaining, he said, was the market in Britain, and in that market alone we had lost our sale of wheat, he said, by 243,000,000 bushels in the last year.

Then the system of stabilization was adopted and Mr. McFarland was called in. I think it is agreed by all that the operations which he undertook to stabilize the market during that period were necessary. He continued to operate during 1933 and to 1935, and then in the session of 1935 the wheat board act was passed. In some respects it did not go as far as some of the submissions that I had made. I had suggested that the real solution was a national marketing board, with wide powers, even to control all food grains, manufactured or unmanufactured, and to control the handling of wheat during the whole operations from the producer to the market. Had that system of control been inaugurated then, it would have been in operation during four or five of the most terrible years western Canada has experienced and we would have been in a much better position than we are in to-day.

I have referred to some of the submissions that I made to Mr. Bennett, and I am pleased to say that I was instrumental in getting some of them embodied into law when parliament passed the wheat board act in 1935. But it was not an easy matter. I had suggested to Mr. Bennett a domestic price for wheat, but I could not get him to accept that. I also had made several suggestions with regard to carrying and storage charges, but pressure was brought to bear by some of the interests and we did not get as far as I should have liked, but I am pleased to note that the act which was passed then is still the act which the farmers of western Canada want, and it is the act we are amending now.

We cannot continue on 70 cent wheat; the fixed price must be greater. I have here a few figures showing the cost of production in western Canada. The cost per acre is in the neighbourhood of $8, and with a yield of twelve bushels a farmer would have to have a price of 67 cents a bushel or more, even to get back the cost of production. Our farmers cannot continue to produce at cost. Since these figures were compiled, the cost of production has risen.

Mr. CRERAR: Is the figure which the hon. member has quoted the average cost?

Mr. PERLEY: An average cost of about 67 cents a bushel to raise wheat in western Canada.

Mr. CRERAR: Is $8 an acre the average cost?

Mr. PERLEY: Yes. That includes principal on the land, cost of machinery, capital investment—

Mr. MACDONALD (Brantford City): Give us the break-down.

Mr. PERLEY: It includes cost of preparing and planting, $2.63; harvesting, $2.46; hauling, 50 cents; incidentals, including possibly fertilizer or cost of spreading grasshopper bait, 14 cents; seed, $1.19, on the average; these are average costs over a period of ten years. Then miscellaneous takes in several items; interest and so forth, $2.29; then, assuming the land is rented, land rent counts for $2.18, making a total of something over $8.

Mr. MACDONALD (Brantford City): That comes to a good deal more than $8.

Mr. PERLEY: It includes the cost of the land.

Mr. MACDONALD (Brantford City): You cannot charge rent and capital at the same time.

Mr. PERLEY: I am assuming that the landowner is working some of the land himself, as a great many do. The break-down amounts to between $8 and $9. The university of Saskatchewan figure for the cost of production is over 70 cents a bushel, and I think we are all agreed it is more than that.

Following the last war, prices went up and there is every indication and we hope that they will go up following this war.

I said at the outset that I agreed with certain principles set out in the minister's statement. I agreed with the idea of paying the farmer to store his wheat on the farm. My suggestion is to pay him one cent a bushel. I suggested that last year, and I remember the Minister of Mines and Resources asking me if I was speaking for myself. He said at that time that if I would guarantee that my leader would adopt the policy, they might underwrite it.

Mr. CRERAR: Oh, no.

Mr. PERLEY: Well, I have his statement here. "I am speaking for myself; I said so," was my answer.

The CHAIRMAN: Is the hon. member reading from *Hansard*?

Mr. PERLEY: I am reading from *Hansard*, 1939.

The CHAIRMAN: What date and what page?

Mr. PERLEY: Well, this is page 5 of the document I have before me. I might say that it is a speech which I made on the wheat marketing bill No. 82. I outlined this policy of one cent a bushel payment, and the present Minister of Mines and Resources said: "May I ask my hon. friend a question? Is he speaking for himself?" I stated that I was speaking for myself and I said, "I am offering a suggestion." Further down, I find that the minister said:

> If my hon. friend will permit me, may I say that if he had undertaken that his leader and his followers would underwrite his suggestion, we might be ready to pay some attention to it.

Now may I say that I am pleased to note that he intends to vote for that principle. It may not go to the extent I suggested; I understand the amount will be half a cent or more.

I am also in agreement with the principle of a domestic price. I suggest that it should be $1.20 a bushel. That would mean a processing tax of 50 cents a bushel. In evidence submitted before a committee of this house—I believe it was the price spreads committee—certain bakers made the statement that there was no great difference in the price of bread, certainly not more than a cent a loaf, whether it was made from wheat bought at 70 cents or at $1.60 a bushel. I referred to that fact in 1935, as recorded in *Hansard,* when I outlined a quota or permit system, and I think it is a suggestion which is worthy of consideration. Indeed, I understand that a quota system in respect of deliveries this year is provided for in the bill which is about to be brought down.

Mr. CRERAR: Will my hon. friend give me the page of *Hansard* to which he referred a moment ago?

Mr. PERLEY: Yes. I may say that I am quoting from a pamphlet which I issued. I will get the citation for the hon. gentleman. I do not know whether he thinks there is anything wrong with this document; it is a copy of a speech I made on the consideration of the wheat marketing bill No. 82.

Mr. CRERAR: A copy of a speech which my hon. friend made in the house?

Mr. PERLEY: At the moment I cannot give the date. The speech was made during the month of May.

Mr. CRERAR: Is my hon. friend reading from a speech which he made during the election?

Mr. PERLEY: No. Since the hon. gentleman is so curious, I may say that I got out a pamphlet. I have been in the rooms of some hon. members, and I know that I am not half as bad a transgressor in this respect as a good many; no doubt the minister himself has been guilty more times than I have of getting out a speech in pamphlet form. To economize a little last year I grouped two or three of mine together. The speeches contained in this pamphlet were made in May, 1939; it states here in regard to what bills they were made. So far as the page of *Hansard* is concerned, I will get it and send it over to him as soon as I have finished or as soon as I get to the library. I hope he does not doubt my word. He can do so, of course, if he desires, but I will prove to him that I am quoting from *Hansard* of 1939.

Mr. CRERAR: I will check it up.

Mr. PERLEY: After all these interruptions, Mr. Chairman, may I now suggest that the government could go a little further. I suggest that they should make a gift of 100,000,000 bushels of wheat to Great Britain. This would start a beneficial circle. What would it not mean in Canada if the money required to purchase that wheat were distributed? It would start the wheels of industry turning and make jobs for many Canadians who need them.

Mr. GARDINER: We have already purchased the wheat.

Mr. PERLEY: You have purchased it, but you have not given it to Great Britain.

Mr. GARDINER: We have purchased all the wheat delivered in Canada, up to date, at 70 cents a bushel.

Mr. PERLEY: But you have not made a gift of any wheat to Great Britain.

Mr. GARDINER: But it would not circulate any more money in Canada if we gave away wheat for which we had already paid.

Mr. PERLEY: You could send the wheat over and so make room for the 1940 crop.

Mr. ROSS (Moose Jaw): The British government have more than 50,000,000 bushels of wheat here that they themselves cannot ship.

Mr. PERLEY: That is fine. I endeavoured the other day, when we were meeting with the wheat board and the grain commission, to get those figures. I asked in what position their wheat was, and they said that the information could not be given and that there could not be any distinction between the wheat carryovers of different years. I

am glad that my hon. friend—I was going to say "the minister", but he is not the minister yet—has information which some of us have not received.

Mr. ROSS (Moose Jaw): That would not be hard.

Mr. PERLEY: I protested against the deal which was made last fall by the board with the grain interests for the handling of the wheat. I protested against storage being paid on grain when it was in the elevators and while it was en route. I have here a copy of the agreement made with the elevator interests, and section 19 distinctly states that the board pay storage on class B wheat from the time it is delivered to the elevator and the daily report received in the head office in Winnipeg and for thirteen days after the date of the billing out of that wheat. I object to that because in my opinion it is not a fair charge and those people are not entitled to it.

I referred a moment ago to the question of a gift of wheat. I would endorse the action of the government if they would spend $50,000,000 more in trying to make the farmer of western Canada more prosperous by investing the money in his wheat. I suppose that before parliament prorogues we shall vote the amount of the deficit of the Canadian National Railways. We have done it here for years. Almost in a minute, without giving it much consideration, $50,000,000 or $60,000,000 is voted for this purpose. Why not invest another $50,000,000 for the benefit of the farmer?

Coarse grains should be brought under the provisions of the act. The hon. member for Weyburn dealt at length this afternoon with this matter and made out a good case for including coarse grains within the operations of the board.

Mr. MACDONALD (Brantford City): One of the reasons for the deficits of the Canadian National Railways is that wheat is carried so cheaply.

Mr. PERLEY: Well, if there had not been a wheat crop for them to carry they would have been pretty badly off, because most of what they do earn comes from the carriage of wheat from western Canada.

A noted parliamentarian once stated that an opposition should suggest nothing and oppose everything. That has not been my way of operating. I have offered from the floor of this house many constructive suggestions, and I am pleased to note that some of them at least, two in particular, have been adopted by the present minister and are embodied in the bill which will be founded on the resolution.

When the bill comes down we shall examine it carefully and inquire into a number of matters. I have suggested a reduction in freights and lake rates. We should be given some idea of how far it is intended to supervise the grain exchange if it is to remain open.

I am not afraid of the future so far as a great carryover of wheat is concerned. I hold in my hand a crop report, which I received to-day, dated July 20 and compiled by a crop reporter who works for a Minneapolis firm and incidentally, I believe, sends reports to the James Richardson company. This report would indicate that there will be nowhere near 400,000,000 bushels of wheat in western Canada this fall. It states, as regards Saskatchewan in particular, that 12,000,000 acres are definitely below the average; 1,000,000 acres will possibly have an average crop, and 2,000,000 acres may yield five to seven bushels an acre. The reports I received are bad but Saskatchewan is a big province and western Canada is a big country. I do not believe that we shall have a 300,000,000 bushel crop, but I believe the situation can be met. I have also a report from the grain exchange on Friday last to the effect that on that date the Argentine sold 2,771,000 bushels of wheat to Britain at a price which, converted into Canadian money at the Canadian seaboard, would represent about 80 cents a bushel for our wheat. I am not saying that this report is true. It came from the grain exchange on Friday morning last. If it is true, however, I would ask this question: If the Argentine can do this, why cannot the Canadian government sell wheat to the British government in greater quantities than it is doing at the present time?

Mr. GARDINER: Is the usual premium included in making the estimate of the price at the seaboard?

Mr. PERLEY: It is calculated that the price at the seaboard here would be practically 80 cents. When the bill comes down we shall see exactly what its provisions are and we shall have some questions to ask. There is a good deal of information which I should like to get and I hope the minister will be prepared to give it. With regard to the operations of the board, just where they stand; what they have been paying in service fees, storage fees, brokerage fees; what they hold in cash; the matter of options, and so on, are all questions with respect to which we shall have to have a complete report similar to that which was given in 1936. However, we shall wait and see what the bill contains, and then we shall review it in the light of a careful study of its provisions.

Mr. DONNELLY: I welcome this bill to amend the Canadian Wheat Board Act, because the wheat question is of great importance not only to western Canada and to the dominion at large but to the entire world, since it is quite conceivable that the nation which has a supply of wheat one or two years from now will be the deciding factor in the war. There is no doubt that the crop in Europe is not as good this year as it generally is. I noticed the other day in one of the reports that the Roumanian crop, which is usually somewhere about 5,000,000 metric tons, is this year expected to be 1,500,000 or 1,600,000 metric tons, or about one-third of the usual crop. What the people in Europe will do for wheat during the next year or two, in view of the poor crops there, may be one of the deciding factors as to which nation will win the war.

It is true that the quantity of wheat we have here at present is to us a great problem; it is hard to know what to do with it. We are practically the only country in the world with storage facilities for wheat. England has asked us, having storage facilities, to store this wheat at her back-door so that she may have it as she needs it, and we are trying to play our part by keeping the wheat at England's back-door, so to speak, to feed her people and her soldiers as the need arises. The hon. member for Qu'Appelle spoke about giving England something like 100,000,000 bushels of wheat. Well, England already has in Canada from fifty to seventy million bushels of wheat bought and lying here waiting to be taken overseas as it is required. England does not want it now because she has all her storage capacity taken up and she does not want a surplus over there. But she has purchased this wheat and it is lying here. I do not know how it would help us to provide more storage by giving another 50,000,000 or 100,000,000 bushels to England. That might be all right as a gesture to help her financially to win the war, but for the purpose of providing us with storage facilities it would not do a particle of good.

There are two or three recommendations which I wish to make to the government with regard to this bill, but first I wish to mention one or two criticisms that we have heard. One is with regard to an advisory committee, some body to advise the wheat board as to how to market wheat, when to market it, and all that. The wheat board has been given so much advice by so many people that it hardly knows what to do. We have confusion worse confounded.

Mr. DOUGLAS (Weyburn): The hon. member did not say that at election time.

[Mr. Perley.]

Mr. DONNELLY: I hear the hon. member for Weyburn saying something. The other night he said that the advisory committee should be made up of organized farmers. Let me ask anyone in this committee to consider who the members of the wheat board are at the present time. Two of them are former wheat pool men; they belong to the organized farmers; and the other man was a member of the grain exchange, or his father was. The forgotten man, the man who is not there and who should be remembered, is the independent farmer who does not belong to any organization. If there must be an advisory committee, the government should go back to the farmer who does not belong to the wheat pool or to any organization and put him on the committee. Do not let us forget him. Many farmers in Canada do not belong to any farmer organizations and some of them are the best farmers we have. If we must have an advisory committee, let us not forget these men; let us put a few of them on it. But what the advisory committee would do I do not know; what miracles it would perform I should like to know. I suggest that one good man who would take all the responsibility would be far better than many advisers; one man who knows his business thoroughly would be better than many men who have nothing but a smattering of knowledge as to how wheat should be marketed.

Let me say a word or two with regard to the closing of the grain exchange, about which I hear many reports. I have been living in western Canada for a considerable number of years, farming on a more or less large scale. I have been growing wheat for thirty or thirty-four years and I know something about the marketing and the growing of this crop. Since I have been in the west I have been told what a great monster the grain exchange has been; how it has bedevilled everything; how it has robbed the farmer; how it has shaken all the money out of him; how it has robbed the country and everyone else. But I have yet to hear anyone give me a concrete reason as to why the exchange should be closed. What is it doing that is so terrible? The other day in the committee Mr. McIvor, who is at the head of the wheat board, admitted that by having the grain exchange open in the past year he was able to store wheat at the head of the lakes for one-forty-fifth of a cent a day instead of one-thirtieth, which is the maximum charge. And he is the man who is handling our wheat. He told us in the committee that because of the advantages of being able to hedge his wheat, to buy and sell futures and deal on the grain exchange, he was able to hold his wheat and handle it by that method at the head

of the lakes in the terminal elevators for one-forty-fifth of a cent a bushel a day, whereas the charge made by our board of grain commissioners is one-thirtieth of a cent; that is the usual charge.

One question more I would ask: If we close the grain exchange, what are we going to do with our coarse grains, our oats, barley, flax, rye? Do we want the board to take them over too and set a price? If we do, there might be some way of handling these coarse grains, but if we do not do that, we must have the grain exchange open in order to handle them. At the present time, the price of wheat being below seventy cents, if we can get storage facilities at our terminal elevators at the head of the lakes at a reasonable price the grain exchange may be of little use. But the grain exchange has been playing a very important part, whether we like it or not. Without the grain exchange it would have been impossible to sell our wheat to advantage in past years. Every elevator company would have had to gamble in futures and carry the gamble themselves, and the spread between the spot price and the street price would be much greater than it is to-day.

One other question brought up is with regard to an interim payment. It is all right to pass legislation providing for an interim payment if and when the money is available, but at the present price it does not look as if there will be any money available. It will be a good gesture, that is all; it will not be of any value to anyone. It does not look as if there will be any interim payment unless we get a better price than we are getting now.

I come next to the important feature, the set price of 70 cents at Fort William. I do not believe in this 70 cents Fort William myself; I do not think it is high enough. I do not believe the price of wheat could be too high to suit me; I am a farmer and I want the price of wheat to be as high as possible. But it is unfair to have the price set at a certain figure at Fort William and Montreal. Because a man happens to live close to Fort William or Montreal he gets a better price than the man out in the country. If the government are going to act as Santa Claus and give the farmer 70 cents a bushel, which is more than he can get in the markets of the world, let them treat all the farmers alike. Why give the man who lives near Montreal 70 cents and the man down beside lake Erie 55 cents?

Mr. GOLDING: And that is true of more than wheat.

Mr. DONNELLY: Yes, but I am referring particularly to the price set by the government. Why not pool all the freight charges and pay every farmer across the country the same, whether it be 60 cents, 65 cents, whatever the government decides on? Let it be the same to every farmer.

Mr. MACDONALD (Brantford City): Let the government take over the whole wheat crop and every other crop.

Mr. DONNELLY: I am living in Saskatchewan on the dividing line. We set the price at 70 cents in Vancouver or Fort William. But on account of the war all the wheat from Alberta has been going to Fort William; they have been hauling wheat from Calgary to Fort William at a lower price than from Saskatchewan. That is not fair play, that is not treating all alike. The people in Saskatchewan are penalized; they are paying the highest freight rate on wheat of any part of Canada.

Mr. REID: Except British Columbia.

Mr. DONNELLY: No; British Columbia is near Vancouver, and they get the freight rate to Vancouver or Fort William, whichever is cheaper. We in the western part of Saskatchewan are on the dividing line; we pay the highest freight of any part of Canada. Why should we be penalized in that way just because we happen to live there?

An hon. MEMBER: Who sets the freight rate?

Mr. DONNELLY: That has nothing to do with the matter. The wheat has to be hauled to either Fort William or Vancouver, and on account of the war it is all sent to Fort William, but the man in Alberta only pays the rate to Vancouver.

Mr. REID: The same rate for over twice the distance.

Mr. DONNELLY: I say the price should be the same at every initial point; every farmer should get the same, whatever price the government decides on. Pool the freight and pay all farmers the same, whether at Georgian bay in Ontario or down at lake Erie, or wherever it be. This is only reasonable and right. There is no reason why a man should be penalized and not get as much from the government because he lives several hundred miles from Fort William or Vancouver.

Another matter is the processing tax. Some nine or ten years ago I advocated in this house that the government put on a processing tax the same as was used in Australia at

that time, known as the Patterson scheme, in regard to butter. I advocated a processing tax on wheat ground into flour for use in this country. I am glad the government have now adopted that. The only objection I have is that it is not high enough. A processing tax of 15 cents a bushel means about one-third of a cent on a loaf of bread, because a bushel of wheat makes flour enough for about fifty loaves. Do not make any mistake about it, the bakers are going to take advantage of this and use it as an excuse for putting another cent on the price of a loaf of bread. We see that in to-night's paper. One can see immediately that they are looking for an excuse to add another cent to the price of bread. If the processing tax had been put at fifty cents, that would mean practically speaking one cent a loaf because they make fifty loaves out of a bushel of wheat. That would give them a real excuse to add one cent to the price, which they will do anyway. At 50 cents a bushel the government would get about $25,000,000. This 15 cents a bushel will yield about $7,500,000. Twenty-five million dollars would help the government to pay an interim or final payment to the farmers, which this 15 cents a bushel will not do. I ask the government to think that over. Of course the argument against the processing tax is that it is taxing the bread in the mouth of the labourer, the poor man. Practically every country in the world to-day has the processing tax on wheat. They have it in the United States; they have it practically all over the world, and there is no reason why we should not have it also. But the government should consider the advisability of raising this processing tax to 50 cents a bushel, instead of leaving it at 15 cents as apparently they have decided to do.

I should like to say just a word with regard to the quota system. In my opinion there could be no other way to handle the wheat this fall than by a quota system. The government must decide how much they will allow any farmer to bring to the market. Otherwise the man living beside the elevator will thresh his wheat, haul it in and fill up the elevator. Our grain act forbids the elevator company to refuse any man's wheat; while they have space available, they are obliged to take it. So, unless the government inserts some provision that the elevators shall take only so much from each farmer, any man could compel an elevator to take all his wheat. Then the poor man who threshed late would not be able to market his wheat at all. We need a quota system under which no man can market more than a thousand, fifteen hundred or two thousand bushels, or whatever figure may be set. On the other hand I agree that storage should be paid the farmer, to enable him to keep his wheat on the farm. I believe, that whatever storage is paid to the terminal elevators or country elevators should be allowed to the farmer who stores his own wheat on the farm.

I should like to say a word with regard to the handling charges on wheat. These charges, to me, particularly this year, are absolutely ridiculous. I believe the handling charges during the past year were far too high. They may be all right with wheat at $1.50 a bushel; they may be all right in ordinary years, when our elevators may be full for a few months only and almost empty for the rest of the year. But in a year like last year, when they were three-quarters full all year, and next year, when they will be full all year, these charges are absolutely ridiculous. Let me give the committee an example of what I mean. We are told that the amount paid by the board to the elevators for storage alone was something like $14,612,000. That was on 318,000,000 bushels of wheat. There was an additional 100,000,000 bushels or so not handled by the board, so the total amount paid for storage alone by the grain trade and by the board must have been well over $16,000,000. But there is something else in addition. The other day the statement was made that only one-third of the income of the elevators came from storage, the other two-thirds coming from other, additional charges. So there must have been another $32,000,000 received from other sources, making in all something like $50,000,000 paid for handling our wheat last year. If anyone tells me that is a reasonable amount to pay for the storage and handling of our wheat in one year, all I say is that he does not know the condition of our farmers. We sold something like 400,000,000 bushels, for which we received approximately 50 cents a bushel, or in round figures about $200,000,000. But we paid $50,000,000, or one-quarter of the selling price, just for the handling of that wheat.

Mr. KINLEY: To the pools.

Mr. DONNELLY: Yes, to the pools and others in the grain trade. I say this charge is ridiculous, and I believe it should at least be cut in half. I have been thinking and talking about this matter ever since this house opened. Under the old grain act the board of grain commissioners fixed the charges for storage, cleaning and handling, and these rates were subject to approval by the governor in council. That act was amended in 1930. The board of grain commissioners still sets the maximum rates, but those rates are not subject

to approval by the governor in council. All the act says is that the board of grain commissioners shall fix the maximum rates that may be charged for the handling, cleaning and storage of grain. If that board does not cut this price to the bone—I say it should be cut in two—then we should amend the Canada Grain Act in that respect, because I do not consider these prices either reasonable or right. I say that the cost of handling our wheat was $50,000,000, not only on the authority of the statements I have mentioned but because of other statements I have heard to the effect that the grain people received in the neighbourhood of 13 or 14 cents a bushel on all the wheat they handled. I can give the committee those figures if necessary, because I know what they are.

Mr. CRERAR: Does that include freight?

Mr. DONNELLY: No, that does not include freight at all. That is something else which the farmer has to pay. This is just for elevation, storage, cleaning, loading into cars, service charges, diversion charges and matters of that kind.

Mr. ROSS (Moose Jaw): The gross earnings of the elevator companies.

Mr. DONNELLY: Yes. Some one raised the question of what the farmer will do when he cannot get his wheat into an elevator. That is one of the serious matters with which we have to contend this year. It will be necessary for the farmer to get credit in some way or another. If a big farmer has ten, fifteen, twenty or thirty thousand bushels of grain and can market only two thousand bushels, he must get credit somewhere. We shall have to do one of three things. We shall have to provide credit through the banks or through the elevator companies or through the government itself. I believe provision could be made by the banks or the elevator companies to give the farmers credit at reasonable rates of interest.

These are some of the questions that are bothering our people back home to-day. We hope a sane and sensible solution can be found for all these problems which are occupying our attention. I ask the government to consider not only fixing the same price at all elevators across the country, but also to consider this matter of cutting the rates charged for the handling of our wheat.

Mr. FAIR: I have only a few words to say this evening, Mr. Chairman, but because I have been held back for so long, and because I rushed back here after a sumptuous meal, I find it just a little difficult to talk. The fact that the hon. member for Wood Mountain (Mr. Donnelly) has spoken provides me with a reason for saying a few more words than otherwise I would have said. With some of the suggestions he made I am in accord. I agree that there should be an equalization of freight rates and a reduction in handling and storage charges. We can walk hand in hand in connection with those two items. But with some of the other statements he made I am afraid I cannot agree. He told us that the British government had from 50,000,000 to 75,000,000 bushels of wheat in this country. A short time before that the hon. member for Moose Jaw (Mr. Ross) told us that the British government had 150,000,000 bushels of wheat here. There is not much disparity there!

Mr. ROSS (Moose Jaw): I made no such statement at all.

Mr. FAIR: Read *Hansard* to-morrow morning.

Mr. ROSS (Moose Jaw): I said something over 50,000,000 bushels.

Mr. FAIR: Read *Hansard,* if it has not been changed, and you will find out.

Mr. ROSS (Moose Jaw): I made no such statement, and the hon. member must withdraw.

The CHAIRMAN: The hon. member must accept the statement of the hon. member for Moose Jaw (Mr. Ross).

Mr. FAIR: I bow to your ruling, Mr. Chairman. The hon. member for Wood Mountain referred also to the advisory committee. All along, the genuine farmers of western Canada have advocated the setting up of an advisory committee to work with the wheat board. Such a committee was provided for by the act of 1935, but we were deprived of the benefits of that committee, I believe late in 1935. I have no idea where our producer representation is to-day. The fact that certain men mentioned by the hon. member for Wood Mountain are on the board does not guarantee that they are producer representatives. The fact that they worked for the wheat pools is no guarantee that they are producer representatives. At that time they were taking their orders from the pools; to-day they are taking them from the government or perhaps indirectly from the grain exchange.

The hon. member also offered a plea for the independent farmer and asked that he should have representation on the wheat board. I contend that if there are any independent farmers who are not organized they do not deserve representation. I believe the fact

that we are not organized is one reason why we are contributing millions of dollars every year through lower prices for our wheat. There are certainly plenty of organizations throughout the country to take care of these strays.

The hon. member for Wood Mountain also told us that he is a farmer. There are many of us who were born in hospitals, but that does not make us doctors. The fact that the hon. member has some land of his own does not make him a farmer. Perhaps he is one of these gentlemen farmers to whom I referred not long ago, who raise nothing but their hats.

In connection with freight rates, let me tell the hon. member that we in Alberta pay our just share. As far as I can learn, we pay even more than the farmers in Saskatchewan. When I ship wheat of the very best grade that can be grown I receive 70 cents, but nineteen cents of that is taken for freight and handling. This means that for the best wheat that can be grown I receive only 51 cents a bushel. I want this to be noted so that people in central and eastern Canada will not be led astray by references to this 70 cent price. It should be understood that this price is basis No. 1 northern, Fort William. Between now and the time my grain is in the bin, several things may occur to force the price down to as low as 40 cents a bushel.

Yesterday afternoon the Minister of Trade and Commerce (Mr. MacKinnon) made a statement in connection with wheat. We were thankful to get this statement even at this late date because we have been asking for such a statement for the past ten weeks. After I heard the statement I wondered why we had had to wait so long to get so little. The minister told us that this matter has engaged the constant attention of the government and its advisers, the wheat board and the board of grain commissioners. I wonder what happened to the representation and advice of the producers? As I have pointed out on other occasions, it would seem funny to other industries if their products were sold by a board which had no particular interest in that particular product. Even though our farmers are in the position they are in to-day they should not be taken advantage of because they are under this act.

I am in favour of the announcement made by the minister that farmers will be paid for storing wheat in bins on their farms. There is nothing new in this because, if I remember correctly, this was done by the wheat pools some years ago. I do not agree that the grain exchange should be left open. A few months ago we were told that the grain exchange in England had been closed. If it was good business to close it over there, why should it not be good business to close it here? The minister told us also that the 5,000 bushel limit was being removed. I always thought that was an injustice and it should never have been placed in the act. I am glad to learn that the government is rectifying that particular wrong.

The government is rectifying another wrong by setting up an advisory committee. Rather than having some straggling farmers appointed to that committee, I should like to see representatives nominated by organized agriculture. In that way the government would have the views of organized agriculture instead of those of some individual who perhaps had not been able to make good at his own business.

Reference was also made to the question of interim payments, but I believe it is too late to get interim payments this year. A great deal of pressure was brought to bear to have interim payments made this year. I think the government realizes that in the spring the farmer needs money for seed, for repairs and to meet other requirements.

The levy of 15 cents a bushel on wheat is all right as far as I am concerned, although I should like to see it higher. I hope that the price of bread is kept down and that the war-time prices board does not get any of that moonshine about which the Minister of Mines and Resources (Mr. Crerar) told us this afternoon. It is hoped that this board will keep awake to see that no undue rise in prices is put into effect. This board should also keep a watchful eye on the price of lumber and other materials needed for the building of bins, because this work will be carried on in western Canada to a considerable extent this year. If the crop reports are correct, the grain elevators will not be able to handle all the wheat.

Some reasons why we should have a good price for wheat might be given. Several reasons have been given before, but I am going to mention one or two now. It is realized, I think by everybody, that when we have a good price for wheat, all lines of industry in Canada are better off than when we have a poor price for wheat. Agriculture is one of the best markets that Canada has, and if we do not get a fair price for what we produce we are not able to buy the goods which we require and which we would buy if we had good crops and good prices.

In 1928, for example, when wheat was $1.05 a bushel, the western provinces purchased from the east $387,000,000 worth of goods at point of origin prices. Five years later, in

1933, when wheat was 68 cents a bushel, the west was able to buy only $80,000,000 worth of goods from the east, or approximately 20 per cent of what it bought when wheat was $1.05 a bushel. That decrease in the purchases of the west would account for a great deal of the unemployment we had which necessitated the payment of large sums in relief. It meant that many railroad crews were idle and that Canada was compelled to pay deficits on the Canadian National Railways and other enterprises.

Again, in 1928, when wheat was selling at $1.05 a bushel, purchases of farm machinery in western Canada amounted to $89,306,000. In 1933, when wheat was 68 cents a bushel, those purchases dropped to $8,196,000. Here again one will see reflected in industry generally the effects of a poor price for our wheat, and those effects are felt throughout the whole of industry right across Canada.

We are told that the farm implement manufacturers of Canada find most of their markets in eastern Canada, but the report of the special committee which investigated farm implement prices shows that the sales of the International Harvester company in western Canada amounted to 77·6 per cent, while its sales in eastern Canada were only 22·4 per cent. The Massey-Harris company had 66·69 per cent of its sales in western Canada and 33·31 per cent in eastern Canada. The John Deere company had practically all of its sales in western Canada. These figures I think show quite plainly where the markets for farm implements are to be found.

Approximately only 40 per cent of the farmers of Canada live in the prairie provinces, and that 40 per cent has been paying a very heavy toll to the central provinces. In tariff costs alone the west has paid approximately $54,000,000 a year. That is in duties alone, and if we were to include the extra amount that we are charged for our machinery, I am sure that figure of $54,000,000 would be considerably increased.

Some people say that the western farmers are getting all the cream but I submit that other parts of Canada are getting quite a little bit as well. This is an article from one of the western newspapers:

A total of 93·6 of all Canadian wheat is grown west of Winnipeg, only around 20 million bushels being grown in a normal year in the other provinces. With respect to other grains the percentage has a wider variation: only 64 per cent of oats, 79 per cent of barley, 87 per cent of rye and 95 per cent of flax is grown west of Winnipeg. On the other hand, 54 per cent of all Canadian cattle are raised in eastern Canada, 62 per cent of all hogs, 55 per cent of all sheep, 58 per cent of all eggs, 64 per cent of all butter, 95 per cent of all cheese and 72 per cent of all milk is raised in or produced in the eastern parts of Canada.

These figures were quoted recently by Hon. James G. Gardiner, Minister of Agriculture for Canada, in a speech he made in Winnipeg. It is evident that while western Canada specializes in grain growing, eastern Canada specializes in mixed farming. The Minister of Agriculture resorted to the quotation of statistics to disprove the contention that western agriculture has benefited more by contributions from the federal treasury than had eastern agriculture. He showed that wheat and other grains had for the most part carried themselves over the trying years in spite of drought and marketing problems.

I should like the committee to note that. The article continues:

In the past ten years in the neighbourhood of $36,800,000 had been spent to maintain and assist the live stock industry and of this sum over $27,500,000 went to eastern Canada. . . .

Even should the federal government have a loss on its wheat board transactions this year to the extent that the pessimistic critics forecast, it would not swell the ten-year federal expenditures for maintenance of the wheat industry to a figure approaching the amount spent on the live stock industry over the same period.

Quite frequently the west has been advised by armchair critics to abandon grain growing and go into mixed farming.

I would ask the hon. members to pay particular attention to what follows:

In a normal year approximately 66 per cent of the grain grown in Canada is exported and 66 per cent of the cheese produced is exported. There are only four other agricultural products of which the export volume exceeds ten per cent of the production.

If it were possible for the west to switch from grain specializing to mixed farming, the mixed farming industry would require even greater federal assistance than has already been given. A 50 per cent increase in mixed farming production in the west would put the eastern mixed farmer out of business, or at least cause him to clamour for even greater protection than is already afforded the mixed farming industry. In order that the mixed farmer may secure a higher price for his butter, his milk, cream cheese and other products he is protected by a high ratio of duty against the importation of these commodities. Increase in the domestic supply with a limited export market would have a serious effect upon the mixed farmer, though the purchasing public might be able to buy at lower cost.

It is a poor time for the eastern Canadian farmer to start to complain about the assistance given western agriculture, for the eastern agriculturist is in a vastly different position; not only has he a protected domestic market in which to sell his products, but he has been receiving generous assistance from the government in all his farming activities. On the other hand, the services with respect to grading and inspection of wheat and other grains are paid for by the farmers through fees charged for the services.

Those people who started the shouting and complaining because the western grain growers

are given a set price for wheat on the basis of delivery at Fort William, which means less freight rate at the farm, should first of all have taken the trouble to inquire into the situation with respect to their own farmers.

We have been told that we cannot get along without the Winnipeg grain exchange. I submit that we could get along very well without it because we have one of the greatest groups of parasites in Canada connected with that organization, and now that we are starting to unload, we might as well unload there as well as in some other places nearer home.

Coarse grains during the last number of years have been very low in price. They have been in the same position as wheat. We find that we are losing money on the coarse grains we grow. The market for coarse grains seems to have disappeared almost entirely. The fact that the farmers have been compelled to give up horses and produce with tractors at a lower cost is another reason for the reduction in the coarse grains market.

What is going to happen to the hog market? We may have an opportunity to discuss this a little later, but the way the hog market has been going for some time and the prospects as they appear to-day do not guarantee anything very hopeful in that line.

I believe that the wheat board act as it was passed in 1935 should be put into full effect and, as I have suggested time after time, the grain exchange closed and put out of business.

Some may argue that we are not entitled to the just price, or the cost of production plus a reasonable profit. To those who argue along that line I would say, are the firms which are manufacturing war goods entitled to a cost-plus price? If they are—and I am not complaining about it provided the profits are not excessive—then the farmers, who after all are the back-bone of Canada, should receive similar treatment.

I do not intend to say much more, but I should like to make a suggestion to the Winnipeg *Free Press*. That newspaper, I believe, is a supporter of the government which is now in office. On June 27 I with some other members had occasion to speak on the wheat question, and on July 3 or 4 the *Free Press* published an editorial in which it named two hon. members as well as myself. The other hon. members are well able to speak for themselves. I maintain that the *Free Press* misrepresented the remarks I made here. If they have somebody reporting for them here to-night, I would ask them to give the truth or keep quiet.

I hope that the government will not make any more mistakes in connection with the wheat board. I believe that the mistakes which they have already made in this connection have cost the farmers of Canada millions of dollars. Perhaps the profits went to privileged friends, but there are others who are entitled to a profit who will have to bear the brunt of taxation in this country, and who are deprived of the money which justly belongs to them.

Mr. LEADER: I certainly had not planned to say anything at the present time, but, listening to the debate as it progressed this afternoon and this evening, and representing a western constituency where the growing of wheat and other grains is veritably our bread and butter, I feel that my constituents would expect me to say something on a subject which affects them so vitally.

I want to pay my respects to our new Minister of Trade and Commerce (Mr. MacKinnon). I believe that his work has been commendable in some regards, if not in all. It is a sound policy to make provision under present conditions for more storage. Although I supported the 5,000 bushel limit last year, I agree that it has been a wise move to delete that provision as conditions are at present.

There is no question that we are in difficulties with regard to the marketing of our wheat, and it will need all the resourcefulness which our new minister possesses to get us out from under the burden which now afflicts us. Had I time, I might go back and give my impressions as to why we have been unable to sell our grain in foreign markets, but suffice it to say that one reason for our present difficulties in the marketing of grain and other products is the iniquitous tariff policies of not only this government but the one which preceded it. The old country has been Canada's best customer, and how had we treated her? It may be said that there is a British preference and that we allow many commodities to come into this country free of duty. But think of the manufactured goods which we might consume here, which are made—and well made—in the United Kingdom, but the importation of which is barred or hampered by the tariff walls that we have erected. It is all right to talk about patronizing home industry. We certainly owe the best that is in us to the people of this country. But there is no doubt, Mr. Chairman, that we have protected manufacturers in Canada to the extent of sacrificing our basic industry, agriculture.

Last year, in a speech which I made in this house, I pointed out that we still maintain a tariff barrier of 30 per cent against many of the manufactured goods coming from the old

country. This is scandalous, iniquitous, unworthy of the Canadian people when one thinks of the great market we have for our goods over there.

If I say anything which is not complimentary to the government—

Mrs. NIELSEN: You will lose your seat.

Mr. LEADER: May I say to the hon. member that I do not believe that I shall lose my seat; it would take more than that to make me lose it. But if I say anything of that kind, it is not because I want to do it. I would rather support the government any time.

Mr. JOHNSTON (Bow River): If they bring down good legislation.

Mr. LEADER: If I offer any criticism, it is constructive and it comes from a friend.

Mr. JOHNSTON (Bow River): They will not believe it, though.

Mr. LEADER: I hope that anything I say will be regarded in the light of constructive criticism even though it may appear derogatory to the government of which I am a supporter.

I have never been impressed with the government's wheat policy. I think it is recognized by the people of this country that the present government are not friendly to a wheat board. I make that statement without fear of contradiction. I believe they will say, when we get back to normal times we will drop all these obstacles to the sale of wheat and return to the old system of selling our grain. I believe that most members of the government will admit that is a correct statement of their views, but in order to prove the statement I have made I shall run over one or two of the actions of this government since they came into power in 1935.

We—and I now put myself in a class with the government—inherited a wheat board—originally it was a grain board—with provision for an initial payment of 87½ cents basis No. 1 northern Fort William, and also participation certificates to the producers. In our first year of office—I say this, not egotistically, but as being in the same boat as my hon. friends on this side—by order in council the government put in that notorious 90 cent restriction, which did not allow the wheat board to function until the price of wheat fell to 90 cents a bushel or lower. The result, of course, was that the wheat board did not function that year because the price of wheat was above that figure. I do not understand why the government took that action. I think it was an unfriendly act towards the wheat board.

In 1937 there was no amendment and the same conditions prevailed. In 1938 the initial payment was cut from 87½ cents to 80 cents a bushel. Under the conditions that prevailed at that time, perhaps that could not be construed as an unfriendly act to the wheat board because the price of wheat was very much lower. Then in 1939 the initial payment was again lowered to 60 cents a bushel, the price that appeared in the original bill, but by action in the house it was raised to 70 cents a bushel. Hon. members, however, may remember that last year I supported the 80 cent price, and I found it was my duty as I saw the light to vote against the government because they did not maintain that price. Then they removed the so-called advisory committee who were supposed to confer with the officers of the wheat board in all their deliberations. The hon. member for Weyburn referred to that in the speech he made in the house a few days ago, and I can concur in the remarks he made at that time. I look upon the action of the government in about the same light as does my hon. friend, and 90 per cent of the people of western Canada regard it in the same light. But I will give the committee a better authority than myself or the hon. member for Weyburn. I will give unimpeachable authority from no less a person than the Hon. Mr. Motherwell. Speaking in this house last year he said, as reported at page 3768 of *Hansard*:

> So we had these two serious blunders, neither of which was friendly towards the wheat board; in fact, they were positively unfriendly. I think, from what we have seen and heard, there can be no doubt that a large section of the cabinet is opposed to the wheat board.

I wonder if Mr. Motherwell was right. If he was right, then I want to tell the minister that he has his work cut out for him if his advisers in the government are unfriendly to the wheat board.

Mr. ROSS (Souris): Absolutely right.

Mr. LEADER: I shall not quote more than that; that is by the way. I shall, however, refer to some matters that have been brought up by some hon. members to-night. Several hon. members have referred to the grain exchange and the hon. member for Wood Mountain (Mr. Donnelly) defended it. I will not take it upon myself either to defend or to criticize the grain exchange. I believe that the exchange in the past performed a necessary service, but in my opinion it has outlived its usefulness. I will make the bald statement that under present conditions the government should close the grain exchange, and I believe the great majority of the people for whom I speak would agree with me. That may possibly be offered as a criticism of the government now that they are going to continue the exchange and allow it to function.

At this time of low prices for our wheat, every endeavour should be made to save every half cent or cent a bushel. One of the functions of the grain exchange and of the grain trade in general, including the pool elevators, is to charge producers one cent commission for handling their grain; I believe there is a regulation in the wheat board which compels them to purchase through some agency, and that agency would of necessity be some of the elevator companies which are members of the grain exchange.

An hon. MEMBER: Not compelled.

Mr. LEADER: I thought they were. At any rate the act should be amended. I believe we could save that one cent a bushel if the farmers were allowed to bill and ship their grain to the order of the wheat board. That would be a handsome saving of ten dollars on every 1,000 bushels of wheat, and by the closing of the grain exchange and billing the wheat to the wheat board, we could save that money. It is the duty of the government to supply this advantage to the producer.

I want now to say something about coarse grains. My district of Portage la Prairie is one of the greatest, if not the greatest, barley growing districts in western Canada. I have heard it said that for every bushel of wheat grown on the Portage plains we grow three bushels of barley; and if a farmer hauled that barley to Portage la Prairie to-night he would get approximately 20 cents a bushel for it—away below cost of production. I suggest that we can save at least one-quarter of a cent a bushel on that commission which is now being asked for selling our barley. I brought this matter up last year. I was negotiating with some people in Winnipeg before coming down here for the session. Some of the men agreed that we should cut the commission to three-quarters of a cent instead of the one cent a bushel now being charged, but that was a matter which would have to be settled by the grain exchange. It was taken up with the grain exchange, and I received a letter stating that the charge of one cent a bushel was reasonable and that therefore they would not lower it.

I say it is the function of the government to step in here; if the grain exchange will not play ball with us when our back is to the wall and we cannot see where our meal is coming from next winter, then we ought to get rid of the institution, and I ask the government to take prompt action. If the grain exchange were closed and we were allowed to consign our grain to the wheat board without paying that cent a bushel for selling it, we could by another method save this commission which we are now charged. I am a pool man. I have been a pool man ever since the pool was mooted in Canada as a farmers movement to help ourselves. I have always supported it and I am supporting it to-day. I have to pay my commission because that regulation in the act stipulates that the grain must go through the regular channels of trade, and I suggest that if we were allowed to ship the grain to the board we would not have to pay the one cent commission because there would be no broker in between. We have no right to pay it. We should get that money back. Some hon. members who are not conversant with the trade may wonder how we can get it back. I will tell them. The wheat pools of western Canada, at any rate in my province, remit back to the men who have shipped their grain to them—that is, platform shipments—approximately one cent a bushel; these are terminal earnings. That is the way in which the producers can get that cent back—shipping grain not through the regular channels of trade, through the grain exchange, but through their own farmers organizations. If you intend to get anywhere you must help yourself.

I want to say a word or two with regard to my occupation, the business of agriculture. It is the only business about which I know anything. I was born on the Portage plains; I live on the farm where I was born, and I have followed agriculture all my life. If I cannot convince hon. members that I know what I am talking about, there is something wrong. But I contend that I do know what I am talking about, and I know that our business is in a terrible condition. I believe that all hon. members would like to help us out; I am satisfied of that. But they do not understand the conditions. Hon. members have been told to-day what we received for our wheat on an average over a number of years, but the best indication of the income of the farmer is how much he gets per acre, because the amount harvested per acre varies. It was said that over a thirty-year period, from 1908 to 1938, I believe, the average price of wheat was 90¾ cents and the average earnings per acre $13.80. For the last ten-year period the average price was about 56 cents, and the earnings per acre, a little over $6.

Mr. COLDWELL: The figure was $6.81.

Mr. LECLERC: How many acres of land does a farmer farm?

Mr. LEADER: It varies from 160 to several thousand, depending upon how ambitious he is. So hon. members will see that the income has been more than cut in half in the last ten years as compared with the thirty years preceding. It has been computed

that when our grain of last year's crop is all sold, it will net the farmer 49 cents a bushel at his local elevator. Now I have told this before to this committee, that the farmer's dollar as represented in wheat, barley et cetera is worth only about 43 cents when he comes to buy farming machinery. People will argue about what percentage of the farmer's dollar goes into machinery. It depends how one looks at it. It amounts to this: If one is buying an average farm of 160 acres in western Canada, he would pay just about as much for the machinery to work it as for the farm. But they spread it over a term of years, say it will last twenty years, and arrive at an annual figure on that basis. Considering that our dollar has shrunk from a value of 100 cents in 1914, normal times, to less than fifty cents, there is no need to look any further in order to find out why agriculture is in its present condition. One can talk about parity of prices or anything one likes, but unless that is rectified, agriculture will never be on a good foundation in western Canada.

Mr. CASTLEDEN: Apparently we have arrived at the dawn of a new age. We have too much wheat, with no place to put it. The other day we heard that we have too much coal, too many clothes, too much lumber, too much fish, too much bacon. I suggest that what is wrong with the world may be that there is too much capital, too many grain exchanges, too much interest, too much control. There are other things in Canada of which we have too much. There is too much malnutrition, too many undernourished people. I believe that if statistics were complete they would show at least a million people undernourished in Canada to-day, or perhaps it would be closer to three million. After a short trip through the maritimes I believe there are many fishermen's and other families who are suffering for lack of the necessaries of life. If this government can get some of the great surplus of bread in this country into the stomachs of some of those hungry people, this government might partly justify its existence. If that cannot be done, I suggest that we get out of here and pass the job over to half a dozen rural school ma'ams from Saskatchewan.

Mr. WRIGHT: Coming from a western district in which we grow a great deal of coarse grains, I wish to bring certain matters to the attention of the minister. I listened with much interest to the hon. member for Portage la Prairie when he referred to the proportion of barley grown in his constituency. In the northern part of Saskatchewan we all grow a large quantity of coarse grains. The government has been advising us to do it, to get out of wheat production and grow coarse grains to a greater extent. I would point out the position this fall of the farmer who has taken the advice of the government and changed over to coarse grain production. This year the average farmer on a section of land in the district from which I come will probably have from 160 to 200 acres in wheat, 100 to 130 acres in barley and 50 to 80 acres in oats. When he threshes he will have in the neighbourhood of 4,000 bushels of wheat, 4,000 bushels of barley and 4,000 bushels of oats. To pay his threshing bill on that amount of grain will take $640.

I think one hon. member speaking this afternoon stated that if he is allowed to deliver the average amount of grain under a quota, it will be in the neighbourhood of 500 bushels, but I am raising that to 1,500 bushels if he grows 4,000 bushels of wheat this year. If under the first quota he is allowed to deliver 1,500 bushels, he will receive, at the average freight rate point, which is in the constituency I represent, $750. In other words, he will have $110 left to pay all his other expenses, buy his twine, pay his taxes, pay for his seed, keep his family and pay his store bill. I do not know how he is going to do it. I would certainly like some explanation from the government as to how the average man in those sections of the west is going to be able to meet his bills. The Minister of Mines and Resources (Mr. Crerar) stated that it was moonshine to think of making an advance to the farmer on grain which he might store on his farm. It was done in the United States, and it should and must be done in western Canada this fall; otherwise there will be widespread bankruptcy. The farmer will not be able to pay his store bill; he will not be able to pay his blacksmith; he will not be able to meet any of his obligations. It is not only the farmer who will suffer but everyone in the west who depends on the farmer; that is, ninety per cent of the people of the west are going to be close to bankruptcy unless some provision is made for an extension of credit.

What is the position of the average farmer to-day, after the minister has made this statement that we are to get 70 cents a bushel for our wheat and that we can deliver only a certain quota? The farmer must get money to carry on his farming and harvesting operations; he must get a line of credit. I ask any minister whether, if he were a banker, he would advance any money to a farmer to carry on his operations, knowing quite well that it is going to be impossible for him to meet that obligation when it comes due two

months from now. I do not think it is fair to ask the banking people to do it, but that is what the government are doing by the statement they issued to-day. I believe the statement made by the minister indicates a move in the right direction, but I would not call it a step; it is a mere gesture. I believe the processing tax of 15 cents a bushel should have been at least 50 cents and that the initial payment of 70 cents a bushel should have been greatly increased. I would ask the government seriously to consider providing some line of credit for the farmers on the grain they will not be able to deliver this fall. The farmers of the west do not want to make a cent out of this war. All they ask is a chance to break even, do their share and contribute what they can to the effort we must all make at this time. So I think it is the duty of the government to give the farmers more consideration than they have been given up to the present.

We have a board that is supposed to control prices, and I should like to tell the committee something with regard to comparative prices to-day, citing an instance that happened on our own farm. The other day they had to buy an oil filter for the tractor. That filter consists of twenty pieces of felt cut in the shape of a doughnut, one on top of another. Those pieces of felt cost twenty-five cents each, or a total of $5 for the filter. The man brought the pieces of felt home and weighed them; they weighed a half pound. In other words, we paid $5 for a half pound of mixed cotton and wool. Last spring I sold the wool that went into those pieces of felt for twenty-two cents a pound. In other words, I received eleven cents for the material which I bought back for $5. The same day the price of oats at the local point was 14 cents a bushel. In other words, it took 1,200 pounds of oats to buy back a half pound of wool that we sold for eleven cents. Surely no one in this house believes agriculture can carry on under such conditions. We have a price control board. Why do they not do something?

To-day prices for repairs to a binder are from 192 per cent to 226 per cent higher than the cost of the binder itself. That represents too much of a spread. Probably more repairs are required for binders and mowers than for any other implements; yet the mark up on these repairs is higher than on those for any other farm machinery. I think the government should do something about the matter. Action can be taken in two ways, by raising the price the farmer gets for his products and by seeing that he is not overcharged for the commodities he has to buy. After all, it does not matter whether we get 70 cents or $1.25 or $2 for wheat; it is what the bushel will obtain for us that counts. I believe that the government should give some consideration to these matters before bringing down this bill.

Mr. LECLERC: As an easterner I realize that the western farmers have reason to complain that the cost of farm implements is out of all proportion to the price of wheat. But may I ask how it happens that in travelling through the west we see millions of dollars worth of equipment lying out in the fields without any shelter? Surely a farmer could buy a thousand feet of lumber and build a shelter for these expensive implements.

Resolution reported, read the second time and concurred in. Mr. MacKinnon (Edmonton West) thereupon moved for leave to introduce Bill No. 118, to amend the Canadian Wheat Board Act, 1935.

Motion agreed to and bill read the first time.

ROYAL CANADIAN MOUNTED POLICE

COMPENSATION FOR INJURY BY ACCIDENT—STATUS OF PENSIONERS REENGAGED IN EMERGENCY

Hon. P. J. A. CARDIN (Acting Minister of Justice) moved the second reading of Bill No. 112, to amend the Royal Canadian Mounted Police Act.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Vien in the chair.

On section 1—Arrangements with local governments or municipalities for the use of the force.

Mr. STIRLING: Does this mean that agreements can be entered into with municipalities in those provinces in which the Royal Canadian Mounted Police do not operate at present?

Mr. CARDIN: The amendment is to empower the minister to make such arrangements with municipalities in those provinces in which the mounted police operate at the present time.

Mr. MacNICOL: May I ask in what provinces the mounted police now operate?

Mr. CARDIN: Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Prince Edward Island are the provinces in which we have the mounted police operating.

Mr. GREEN: I wonder if the minister could explain the situation with regard to checking up on fifth column activities in the various provinces. I believe three provinces, Ontario, Quebec and British Columbia, have their own provincial police forces. In those provinces, of course, there is not so large a proportion of mounted police as in the other provinces. I believe there is some question as to whether or not there are sufficient mounted policemen in those three provinces to check up properly on these activities. Would it not be possible for the dominion government to make some arrangement with the police forces of those three provinces in order to help out with this work of checking subversive activities? I suppose it will resolve itself into the question of who is to pay the cost of having this work done. It seems to me that this could quite properly be paid for by the dominion. As the situation exists to-day, I do not believe the mounted police are in a position to do all the work that should be done in those three provinces. This is a matter where action should be taken by the government without delay.

Mr. CARDIN: The mounted police operate all over Canada under the defence of Canada regulations. It may be that in certain provinces we have not as many mounted police officers as in others, but I am informed that the cooperation which exists between the mounted police and the provincial police authorities is satisfactory.

Mr. GREEN: It is quite true that there is cooperation, but these inquiries have to be made by someone qualified to go into the facts, and I believe all reports must go through the mounted police; in other words, the reports do not come direct from the provincial police to the mounted police headquarters at Ottawa. Some arrangement should be made to use the provincial police of those three provinces to a far greater degree than they are used at the present time in checking these subversive activities.

Mr. CARDIN: As I said, the local police are cooperating with the mounted police, but they do not necessarily report through the mounted police. As my hon. friend knows, when the local police discover that something is going on, they have the right to take action through the attorney general of the province.

Mr. GREEN: I realize that the minister is handicapped because he is only acting Minister of Justice, but the fact is that if these people carrying on subversive activities are to be detained, action must be taken by the mounted police, if they are enemy aliens, or by the Minister of Justice, if they are not enemy aliens. The provincial police have no power to intern, so the minister is quite wrong in the statement he just made that the local police can act through the provincial authorities.

Mr. CARDIN: My information is that in cases of that kind, they proceed by giving information to the mounted police. The local police may obtain certain information, which would be passed on to the mounted police for federal action.

Mr. GREEN: If the minister will look into this situation a little further I think he will find that something should be done. There was reported in the British Columbia press a complaint of the attorney general of the province, who, after all, belongs to a government which is friendly to this government. I think the situation should be checked up by the minister.

Mr. CARDIN: I will do that.

Section agreed to.

On section 2—Exceptions as to age of new personnel.

Mr. STIRLING: Does not the underlined phrase at the end of this section grant rather wide power to the minister?

Mr. CARDIN: I admit it is pretty wide, but it was thought necessary to include it.

Mr. STIRLING: Is the minister in a position to give the reason why that wide wording was selected?

Mr. CARDIN: Frankly, I cannot. The bill was prepared before I was placed in charge of the department. There was a strong recommendation from the commissioner of the mounted police that such power would be necessary.

Mr. GREEN: Very early in the session the Minister of Justice (Mr. Lapointe) stated that the mounted police force was to be increased. Can the minister give us any information in that regard?

Mr. CARDIN: The force has been increased by about 1,500 men.

Mr. GREEN: In what time?

Mr. CARDIN: Since the war began.

Mr. GREEN: What is the total strength now?

Mr. CARDIN: The regular force was 2,500 men, and it has been increased by 1,500.

Mr. GREEN: Is the total strength now 4,000?

Mr. CARDIN: Yes.

Mr. BLACK (Cumberland): Can the minister state the justification for withdrawing the mounted police officer from Pugwash in my constituency, a very important seaport? An officer has been stationed there ever since the agreement was entered into with Nova Scotia. The Minister of Justice assured us some time ago that the force was being increased, but the officer has been withdrawn from this point. The community for twenty miles around is rather uneasy. There are a number of settlers from Denmark, many of whom are splendid citizens, but some have not been naturalized. There are a number from Holland and from Germany also. This is one of the largest shipping ports in northern Nova Scotia. Twenty, thirty or forty large steamers, many with foreign crews, come there every year, and in the past the people of this community have relied upon the mounted police to give them protection. Instead of the force being increased, the officer has been withdrawn, and I think we should have an explanation from the minister. What steps will be taken to see that the necessary protection is given to this port.

Mr. CARDIN: I have not before me the particulars of the special case referred to by my hon. friend, so I cannot at the moment give an answer which would satisfy him. That is a kind of information which can be more conveniently given when the estimates are before the committee of supply. At the moment I am advised that it may be the result of a rearrangement of the different districts by the commissioner, and such arrangements, I am told, are always made with the consent of the attorney general of the province.

Mr. BLACK (Cumberland): If I understand the explanation given by the minister, the withdrawal of this officer was due to representations either made by the federal authorities or approved by the federal authorities. Which?

Mr. CARDIN: By the commissioner of the mounted police himself in rearranging his districts, as he very often does.

Mr. BLACK (Cumberland): Has that change been reviewed by the department at Ottawa and has it received the commissioner's approval?

Mr. CARDIN: Yes; it could not have been done without his approval.

Mr. BLACK (Cumberland): I protest against that change. The people of this country from the Atlantic to the Pacific have been assured that they were being given greater protection, that this force had been increased by 40 per cent, and that announcement met with general approval. But in the application of this change in policy to the community to which I have reference, Pugwash, Nova Scotia, instead of the community being given greater protection, the officer whom the force had there for years has been withdrawn.

Mr. CARDIN: I repeat that this has been done with the consent of the attorney general of Nova Scotia. At all events the hon. gentleman's representations are now on record, and when the estimates are before the committee of supply I am sure that more complete information can be given to him.

Mr. ROSS (Souris): Do I understand from the minister's answer that in Manitoba, for example, where we have an arrangement between the provincial government and the police, if an officer is transferred or a station closed, the matter must first of all receive the approval of the attorney general of Manitoba?

Mr. CARDIN: That is done in every instance.

Mr. GREEN: I have now before me the statement of the Minister of Justice about the strength of the police force, and I find that earlier this session he said that the force was to be increased by 500, the present strength being 2,450. Does the minister say to-night that the force has been increased in the last six weeks from 2,450 to over 4,000?

Mr. CARDIN: I am informed that an order in council was passed to increase the number of uniformed men by 500. The 1,500 that I mentioned a moment ago are specials.

Mr. GREEN: The minister means the men on the roads who wear just their ordinary clothes, with a band round their arm?

Mr. CARDIN: Yes.

Mr. GREEN: I was referring to the police force itself.

Mr. CARDIN: I am told that they are now getting the 500 into uniform.

Mr. GREEN: That is, the force is to be increased from 2,450 to 2,950?

Mr. CARDIN: Yes.

Mr. BLACK (Cumberland): May I ask how many of that increased number have been stationed in Nova Scotia? What has been the addition to the force in that province within the last year?

Mr. CARDIN: I regret very much that I have not that information at hand at the moment.

Mr. BLACK (Cumberland): I shall not press the minister to furnish the information now, but I should like to have his assurance that we shall get the information. I should like to know how many uniformed officers of this force have been stationed in Nova Scotia within the last six months or since the declaration of war?

Mr. CARDIN: Very good.

Mr. ROSS (Souris): Are the 1,500 additional officers in addition to those recruited for overseas service? At the Regina barracks they have a company of young men who have been taken on the force and are training for overseas duty, but they will be members of the force when they return. Are they included in that additional 1,500?

Mr. CARDIN: I am told they are on leave only.

Mr. ROSS (Souris): That is hardly an answer. I have in mind specifically young men who have joined the force with the intention of going overseas, who have been called to Regina for training in a specific company of the Royal Canadian Mounted Police for service overseas, and who will be members of the force when they return, and I was asking if they are part of the 1,500 additional officers or separate from that number.

Mr. CARDIN: They are not part of the 1,500 additional officers.

Mr. ROSS (Souris): They are over and above that number?

Mr. CARDIN: Yes.

Mr. GREEN: How many mounted police are stationed in British Columbia?

Mr. CARDIN: I have not the exact figures but I am told that the number is about 150.

Mr. GREEN: The attorney general said there were forty.

Mr. CARDIN: The information I have at the moment is that the number is about 150.

Section agreed to.

Sections 3 and 4 agreed to.

On section 5—Fines, forfeitures, gifts, et cetera, paid to the minister.

Mr. MacNICOL. As I understand this section, it means that any gift or present made to an officer by some individual in appreciation of some service rendered must be turned in to the minister.

Mr. CARDIN: Yes; that is the point. There were some doubts as to gifts made to the mounted police. This section authorizes the minister to collect such gifts and bequests and to transfer them to the fund for the benefit of the mounted police.

Section agreed to.

On section 6—Compensation for injury.

Mr. GREEN: Will the minister explain this section?

Mr. CARDIN: What will be done under this new section 21A has been done hertofore by order in council, but the commissioner of the mounted police thought it would be better to have statutory authority than authority to act by order in council.

Section agreed to.

On section 7—Expense payable out of consolidated revenue fund.

Mr. GREEN: Is there power under the Royal Canadian Mounted Police Act to pay subsidies to a provincial police force? I bring up this matter in order to find out whether there is power to make financial arrangements with the provinces to get their police force to help in fifth column activity work.

Mr. CARDIN: I am told there is no such power.

Mr. GREEN: Does the minister not think it would be wise under the circumstances to have such power included in the act?

Mr. CARDIN: It might be.

Mr. GREEN: Will the minister take that into consideration?

Mr. CARDIN: Yes; I will bring it to the attention of the commissioner and the officers of the department.

Section agreed to.

On section 8—Pension gratuity, et cetera, to be granted with the approval of the governor in council.

Mr. BLACK (Cumberland): What provision is made for retiring allowance for members of the force by way of pension?

Mr. CARDIN: We shall come to that on page 7 of the bill.

Section agreed to.

Sections 9 and 10 agreed to.

On section 11—Desertion, absence without leave, refusal to do duty.

Mr. GREEN: What is the idea of changing the section?

Mr. CARDIN: The section as it reads at present is as follows:

Every member of the force who, having deserted, absented himself from his duties without leave, or refused to do duty therein, is found in any part of Canada other than the provinces of Saskatchewan or Alberta, or the Northwest Territories or the Yukon Territory. . . .

The proposed section will have no restriction at all. We are taking out the words:

other than the provinces of Saskatchewan or Alberta.

Meaning that it applies to the whole of Canada.

Section agreed to.

On section 12—Using name, etc., without authority. Proviso.

Mr. GREEN: This section apparently provides for a new subsection dealing with the use of "Royal Canadian Mounted Police" as a trademark, and so forth. What is the present arrangement by which firms are able to make carvings of a mounted policeman and sell them, and so on? Representations of the mounted police seem to be used a great deal more, in the form of advertisements and otherwise, than they were a few years ago Under what arrangement is this done?

Mr. CARDIN: This new subsection is to prevent the very thing of which my hon. friend is complaining. Previously we had not the authority which is being obtained under this section, and decidedly we want it, to prevent that very thing.

Mr. GREEN: For instance, in magazines one sees advertisements featuring a fine-looking mounted policeman. Do the people who insert those advertisements need to get the consent of any department of the government, or do they just appropriate illustrations of the mounted police?

Mr. CARDIN: Advertisers are not required at the present time to obtain permission. If this subsection is passed they will have to ask the consent and approval of the commissioner of the mounted police.

Mr. GREEN: Is it the idea that a fee will be charged for the representation of the police in such advertisements?

Mr. CARDIN: No. The mounted police want to discourage entirely that kind of advertising.

Mr. GREEN: Then there are these models which one sees in all the shops for purchase by tourists. Under what authority are they sold?

Mr. CARDIN: There is no authority. At the present time we have not the power to prevent them from using these representations of the force. But if the section is passed and the bill becomes law we shall be in a position to prevent that kind of advertising.

Mr. HAZEN: The intention is to prevent entirely the use of such models and so on?

Mr. CARDIN: Surely.

Mr. STIRLING: But for advertising purposes only, I understand.

Mr. CARDIN: Yes, for advertising purposes.

Mr. HAZEN: Is it merely for advertising purposes? What harm would there be in selling these small wooden models which are carved by different people throughout the country?

Mr. CARDIN: That section relates to trade-marks, business identifications and business advertisements.

Mr. GREEN: There seems to be some misunderstanding. Is it the intention to prevent the sale of these models of mounted policemen?

Mr. CARDIN: No, not that.

Mr. GREEN: Anyone is to be allowed to make them and sell them?

Mr. CARDIN: Yes. What we want to prevent is the use of these names and representations for commercial purposes—trademarks, for example.

Section agreed to.

On section 13—Constable after ten years may be pensioned if infirm; after twenty years entitled to pension, etc.

Mr. MacNICOL: I might say a word under this section. As a Canadian I take a humble pride in our Royal Canadian Mounted Police force and the respect in which they are held wherever they go. I noticed at the New York World's Fair that they attracted a great deal of attention, and rightly so, because the commissioners, in selecting recruits for this force, have apparently picked good-looking young men, strong and healthy young men, and better still, highly educated young men, so that wherever they go they splendidly justify their training. I notice under this section that the pension commences after ten years' service. That is a commendable provision, because there should be an inducement to these men to remain in the service. As I understand section 66A, if a young man is in the force a matter of ten years, and then is compelled

to retire as a result, perhaps, of an accident, or sickness, or the inclement weather to which frequently the police are exposed, he would get $48 for each year of service, or $480 a year. While that may be a small pension after ten years' service, from another and more general point of view it might be regarded as very good. I wish that all employees, whether in industry or elsewhere, could be assured of as much by way of pension if they were compelled to retire after ten years of service.

I do not want the minister to think I am not in accord with this provision. I am. I heartily endorse this pension rate.

Mr. CARDIN: The amount depends on the rank.

Mr. MacNICOL: I was taking the lowest rank.

Mr. CARDIN: That refers to the case of a constable who has completed ten years' service.

Mr. MacNICOL: I should have said, although I forgot to say it, that if the constable's salary and allowances are, say, equivalent to $2,400 a year, the constable who is drawing that amount in allowance and salary would receive one-fiftieth of that amount, which is 48, multiplied by the number of years of service. If the number of years were ten, the amount would be $480.

Mr. CARDIN: Yes; that is right.

Mr. MacNICOL: How many men now in the service were pensioned but have come back?

Mr. CARDIN: I am told there are only about fifty who came back since the war.

Section agreed to.

On section 14—Pension of reengaged pensioner to be temporarily discontinued.

Mr. BLACK (Cumberland): What is the usual retiring age for these officers?

Mr. CARDIN: I am told that is covered by order in council, but the age is fifty-five.

Section agreed to.

The CHAIRMAN: Shall the title carry?

Mr. NEILL: Would the minister not consider reenacting the bill instead of putting so many changes in it? It is a considerable bill and makes a great many important changes, some of them quite long. Would it not be more practical and convenient to repeal the old act and make a new one?

Mr. MacNICOL: It is carried now, anyway.

Mr. NEILL: No, it is not carried.

The CHAIRMAN: Shall the title carry?

Mr NEILL: No.

Mr. CARDIN: The bill is quite a big one, containing four parts.

Mr. NEILL: There will be an office consolidation?

Mr. CARDIN: Yes.

Title agreed to.

Bill reported, read the third time and passed.

PRAIRIE FARM ASSISTANCE

AMENDMENT OF 1939 ACT TO PROVIDE FOR ESTABLISHMENT OF BOARD OF REVIEW

Hon. J. G. GARDINER (Minister of Agriculture) moved the second reading of Bill No. 113, to amend the Prairie Farm Assistance Act, 1939.

Mr. DOUGLAS (Weyburn): The Minister of Mines and Resources (Mr. Crerar) gave no intimation last night that this bill would be discussed. It is not in the list of items enumerated to be taken up and we did not get the bill until one o'clock.

Mr. CRERAR: Has the hon. gentleman any objection to going ahead with it?

Mr. DOUGLAS (Weyburn): Yes; it is a complicated bill. I came down this morning at twelve o'clock and could not get copies; it was not printed. There are other matters on the order paper that could be taken up.

Mr. CRERAR: I see no reason why the bill could not go into committee. We are not likely to finish with it to-night, but we wish to facilitate the business of the house as much as possible. There was one other measure mentioned which the leader of the opposition asked to have stand over.

Mr. DOUGLAS (Weyburn): We are quite willing to facilitate the business of the house, and as a matter of fact we allowed all the preliminary stages to pass. But we have here a bill that was printed only to-day, and if it goes into committee we shall have to discuss it clause by clause without having had any opportunity to study the principle of it.

Mr. GARDINER: Nothing in the amendments really affects the principle of the original act. The bill could be permitted to go into committee. I had not intended to discuss it further on the second reading than I did on the resolution. I am prepared to leave it in committee and not proceed further with it to-night.

Mr. DOUGLAS (Weyburn): I do not wish to hold the matter up, but I would ask the minister to stop at the first section and give us a chance to discuss the general policy under that section.

Mr. GARDINER: Do I understand it is the desire of the house to let the first section stand and go on with some of the others or to let the whole bill stand?

Mr. DOUGLAS (Weyburn): Let the whole bill stand after we have got into committee.

Motion agreed to, bill read the second time and the house went into committee thereon, Mr. Vien in the chair.

On section 1—Short title.

Mr. STIRLING: Could the minister take the opportunity here to give us some information with regard to the composition of the board?

Mr. GARDINER: During the last season a committee of three dealt with the same matters with which a board would be required to deal. One of the reasons why we did not put in a board last year was that we did not think this was the type of legislation that should be put under a board operating throughout the year. The board is only required at the time that the check is being made on the crop and only in such years as the check should be made on the crop. It was not the type of legislation that should be turned over to a permanent board which would be operating throughout the year and from year to year. It will become necessary, however, under the bill to set up a board each year. We had intended that the board would include, if there are three members, two officials of the department; one of them might be chosen from the staff of the Department of Agriculture, and another member might be selected from some of the other departments.

Mr. STIRLING: It will sit in Ottawa?

Mr. GARDINER: Last year the committee sat part of the time in Regina and part of the time in Ottawa. The third man on the committee last year was the soils man at the university of Saskatchewan. These three men from time to time checked on what was being done by the inspectors and others, and we thought it advisable this year to put on a board at the beginning of the season in order to speed up the work in connection with payments throughout the season.

Mr. PERLEY: They would be located in Regina?

[Mr. Gardiner.]

Mr. GARDINER: Not necessarily. It is a matter of satisfying the officials that the payments ought to be made. Sometimes sittings are required in Regina and sometimes here—more likely here than in Regina.

Mr. CRERAR: If I may interrupt the proceedings, Mr. Chairman, I find, on looking at *Hansard* that according to the announcement made last night of the business for to-day, the hon. member for Weyburn (Mr. Douglas) is in error. Last night I said:

> To-morrow we should get along with second readings of various bills on the order paper.

The leader of the opposition asked what they were and I said:

> There is the bill based on the resolution respecting the Prairie Farm Assistance Act.

That is the measure which we have under consideration now.

Mr. STIRLING: But the bill was not printed and it did not reach us. I think I am right in saying that the bill was not printed and had not been distributed, and I do not think it had reached my office by the time the sitting of the house began at eleven o'clock this morning.

Mr. CRERAR: That is not the point. The fact is that it stands on the order paper for second reading to-day and it was announced last night.

Mr. STIRLING: But surely we are not expected to discuss bills that have not reached us.

Mr. CRERAR: I do not know when it was distributed.

Mr. PERLEY: About one o'clock.

Mr. STIRLING: That meets the minister's objection.

Mr. BLACK (Cumberland): What disbursements were made under this act in the last calendar year?

Mr. GARDINER: I gave an undertaking a few minutes ago that I would not proceed with this bill to-night if anyone had any objection. If there is no objection, I might answer a few questions to-night.

Mr. PERLEY: It is understood that on section 2 to-morrow we shall have the opportunity of a general discussion.

Mr. GARDINER: That is on the first section.

The payments made last year under this bill were:

In the $1.00 category.....	$4,132,206 07
In the $1.50 category.....	2,617,830 95
In the $2.00 category.....	173,971 81
In the $2.50 category.....	2,839,197 38

Mr. BLACK (Cumberland): What are the different categories?

Mr. GARDINER: The $1 per acre payment is made in the areas that have an average yield of from eight to not more than twelve bushels to the acre. The $1.50 payment is made in areas having from four to not more than eight bushels; the $2 payment in areas having from four bushels down, and the $2.50 payment in townships in a province where a crop failure area has been declared. The only province last year that had a crop failure area declared in it was Saskatchewan, where there were 260 townships that had five bushels to the acre or less. There was $2.50 an acre paid in those townships.

Mr. COLDWELL: There is one class of loss that is not covered, and it is difficult to see how it can be covered, namely, damage by flood. It seems surprising to speak of damage by flood in an area that has been afflicted by drought. It does not happen to be in my constituency; it is just over the border; the run-off is largely from my constituency. Several farmers there had hundreds of acres flooded. The district itself had an excellent crop, but these people were faced with a dead loss. The minister knows all about the situation. I do not know if anything can be done in this bill to meet that situation, but since that happens periodically in that district—it happened in 1916, in another year that I have forgotten, and last year—possibly some other action can be taken under the Prairie Farm Relief Act. I bring the matter to the attention of the minister because I said I would.

Mr. GARDINER: The only way in which that particular loss could be covered by this bill would be if the section happened to be in a township which had under twelve bushels to the acre; then they would get assistance like anyone else. In some areas in the west they do have these conditions from time to time; it might happen in a dry season just as well as in another, when a rush of water destroys certain crops. If that were to happen in an area which came under this bill, those farmers would be paid like any others.

Mr. COLDWELL: I understand that, but it was in an area where the crops in the surrounding country were good because of the rains, but these people lost their crop through flood.

Mr. PERLEY: Are there any outstanding claims?

Mr. GARDINER: Yes; there are some all the way through the area, an occasional person who has not been able to prove his right to payment. I do not know whether I should call those outstanding claims, or claims that have not yet been settled. There may not be any payments made on them. Then there is another type of claim that may have to be met. There were some townships which were not able to satisfy the officials that they were entitled to payment. Some are still making claims. In one township I remember, the yield was 12·04 bushels according to the record; that is just four one-hundredths of a bushel over. There has been a good deal of controversy as to whether it is over or under. We have been maintaining that it is over, and they have been trying to prove that it is slightly under. If they prove that, we will eventually make that payment. There are instances like that where payment has not been made. Then there are some townships, mostly in Alberta, from which claims from certain sections were late in getting in and we were not able to check acreages successfully during the winter. Some were checked this summer; some of these payments have not been made, but the great majority have.

Mr. JOHNSTON (Bow River): Will those payments be made now?

Mr. GARDINER: They will if it is proved that the claimants are entitled to them. Payments to date have been made in 1,889 townships to 57,874 farmers.

Mr. GERSHAW: How much is collected through the one per cent tax?

Mr. GARDINER: I have not the exact figure here; in fact it would be impossible to give the exact figure because it is one per cent on all the grain that is delivered this year, and we have not yet reached the end of the grain year. But the collection is somewhere in the neighbourhood of $2,000,000.

The CHAIRMAN: Shall section 1 carry?

Mr. DOUGLAS (Weyburn): The understanding was that we would allow section 1 to stand.

The CHAIRMAN: I would point out that section 1 is concerned only with the short title, and under standing order 58, paragraph 2, the discussion in committee must be strictly limited to the subject matter of the section under examination. I have allowed a great deal of latitude to hon. members because of the lateness of the hour and the few minutes at our disposal, but I would remind hon. members of the rule.

Mr. GARDINER: Just to clear the matter up, I do not think it will make any difference, because I think hon. members will find that everything they want to ask questions about has been amended somewhere in this bill. All the matters we have had discussion about

we have attempted to deal with in some way in this bill. We may not have dealt with them to the satisfaction of every hon. member, but they will have opportunity to discuss them under the particular sections.

Mr. PERLEY: That was not the arrangement as I understood it. About a quarter of an hour ago I understood that we would be permitted to make a general statement.

Mr. GARDINER: I am speaking of the ruling of the Chairman.

Mr. PERLEY: Well, I ask the Chairman to amend his ruling, so to speak, so that we may make a general statement to-morrow.

Mr. GARDINER: I do not think hon. members will need any more latitude than the bill gives. The bill covers the whole subject in some place or another, and I think if hon. members will try to make their questions conform to these different sections they can ask everything they want to ask.

The CHAIRMAN: My experience has been that when we do not strictly adhere to rule 58, subsection 2, there is a great deal of duplication of questions, arguments and reasoning, and we lose a good deal of time. That rule has been introduced as the result of much experience, and I believe its wisdom has been amply demonstrated.

Mr. DOUGLAS (Weyburn): I want to say, and I think I am in order—

The CHAIRMAN: Order. Mr. Gardiner moves that the committee rise, report progress and ask leave to sit again.

Progress reported.

On motion of Mr. Crerar the house adjourned at 11.03 p.m.

END OF VOLUME II